TO BE A TRADER

T.ME/TOBEATRADER

By Kudakwashe Mazibisa

THE EFFICACY OF SUPPLY AND DEMAND SWAP ZONES IN FOREX TRADING

CMF Chart-Master FX

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About the Author

Chart Master

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Kudakwashe is the co-founder of Chart-Master FX. He worked in the academic space before becoming fully committed to forex trading. Before becoming a full time trade, Kudakwashe got a graduate degree in Mathematics. He went on to do a Master's degree in Operations Research and Statistics but dropped out of college. He is very keen to share his knowledge and experience in the forex industry.



Acknowledgements

All the standard operating procedures originate from Read The Market (RTM). In this regard, I would like to acknowledge the work of IF Myante. His concepts are the building blocks for all the strategies presented in this book.

I also want to extend my sincere gratitude to Mansor Sapari, and Nora Bystra. Thank you all. Your material has helped me to write this book.



Foreword

The book covers six chapters namely the Blind Spot (BS), Narrow Flag Limit (NFL), Wide Flag Limit (WFL), M-Kink, Key Level Continuation (KLC), and Ignored Head and Shoulder (IHS). The building blocks of the standard operating procedures presented in this book are support and resistance, kinks, momentum, decision points, and the flip zone magic letters (A,V,W,M). There are mathematical tools used in this book to help traders make better informed decisions. The tools include the Cartesian plane, the classification algorithm, and the regression model.



"One of the joys of reading is the ability to plug into the shared wisdom of mankind." (Ishmael Reed).

Disclaimer

The holy grail is not in indicators or strategies. The holy grail is you. You can get the best strategy in the world but if you do not put in the work, it will never work for you. There is nothing like a 100% strategy in forex. Always be a student of the market and practice proper risk management.

The strategies in this book give you an edge in the market. Nevertheless, you need to trade with money that you are willing to lose. No liability will be assumed to Chart-Master FX for any losses incurred, as a result of using the strategies in this book.



General Information

- There are no indicators needed to trade the standard operating procedures presented in this book. You do not need indicators to trade, you need your eyes.

- The standard operating procedures presented in this book can be used in all timeframes.

- The strategies have been back tested and forward tested on currency pairs, indices, and binary options.



About Us

Chart-Master FX (CMF)

Think like an institutional trader

Chart-Master FX is a forex trading company based in South Africa that seeks to help traders who are struggling to become consistently profitable. We believe in teamwork, research, and hard work. Our trading style at CMF is rooted in the RTM approach.

List of Abbreviations

Acronym	Full Description	Acronym	Full Description
ACC	Acceleration	KL	Key Level
BE	Bearish/Bullish Engulfing	KLC	Key Level Continuation
BS	Blind Spot	MM	Mera Mera
CBO	Clean Breakout	NFL	Narrow Flag Limit
DBD	Drop Base Drop	RBD	Rally Base Drop
DBR	Drop Base Rally	RBR	Rally Base Rally
DJ	Doji	SL	Stop Loss
DP	Decision Point	SOP	Standard Operating Procedure
FTB	First Time Back	SR	Support and Resistance
HS	Head and Shoulder	STP	Safest Take Profit
HB	Hidden Base	TC	Trade Classification
IHS	Ignored Head & Shoulder	WFL	Wide Flag Limit

Table of Contents



Decision Points
DP

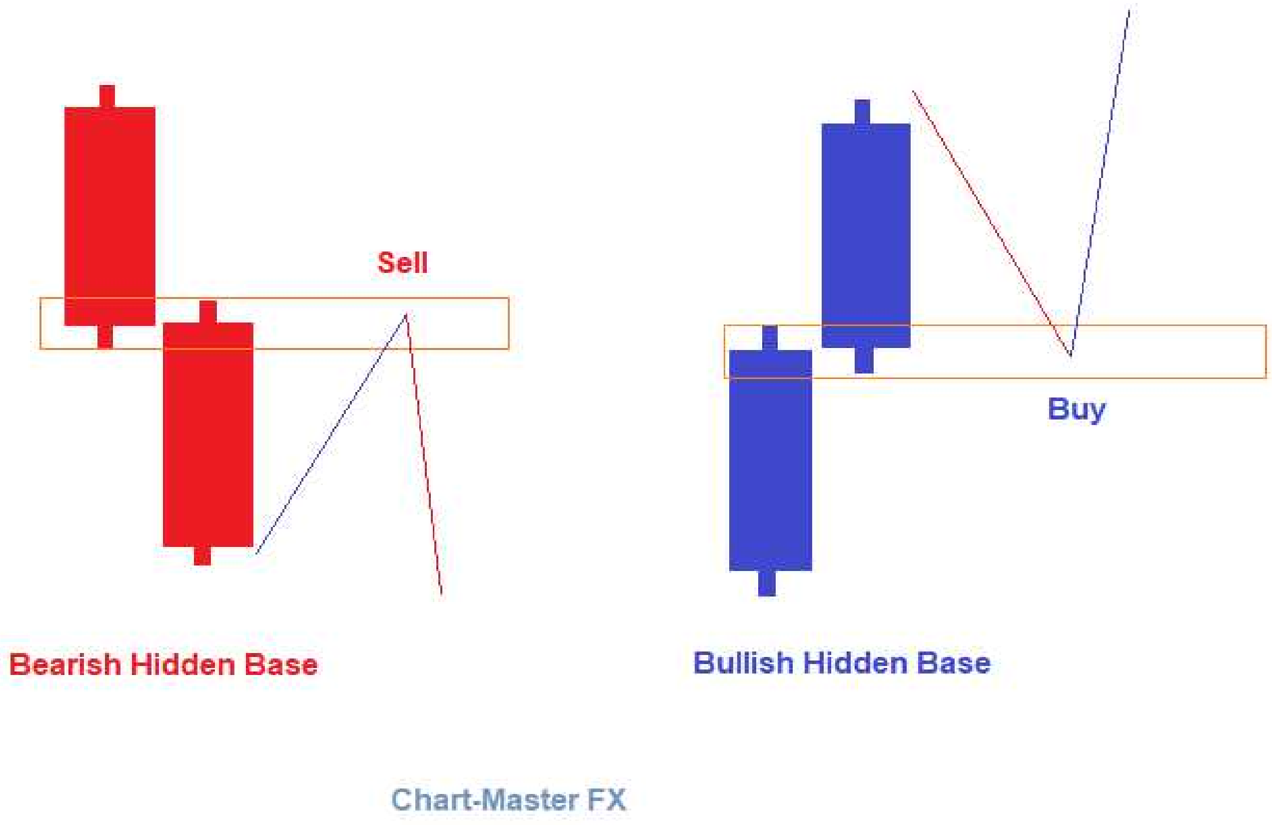
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Decision Points

Hidden Base

A hidden base (HB) is a decision point (DP) that has extending wicks covering each other's candle bodies. The wicks on both sides should not overlap (engulf) each other's candle bodies. The wick must be 50% or less in height, proportionate to the body.

A DP is considered valid if it is a reaction of a support or resistance line. The line should be passing through the decision point. There are generally two types of HB namely a bearish hidden base (supply) and a bullish hidden base (demand).

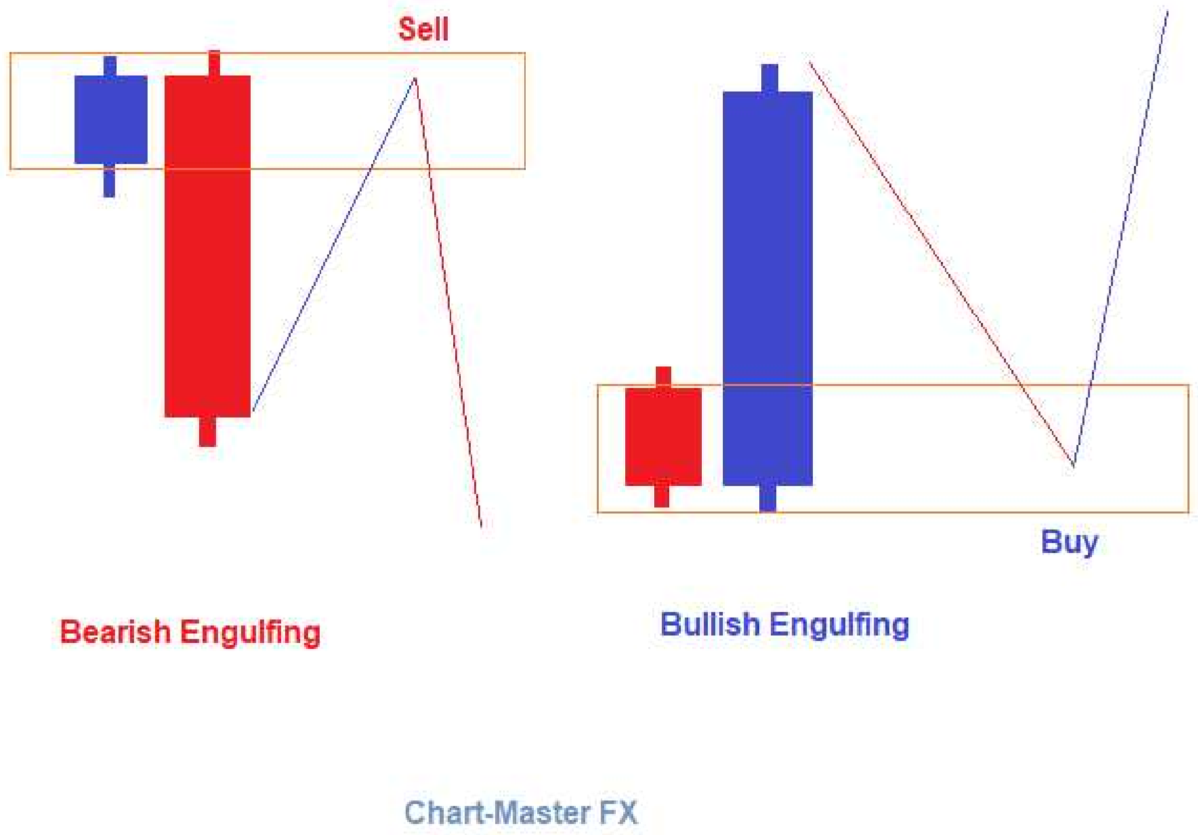


Decision Points

Bearish/Bullish Engulfing

There are generally two types of BE namely a bearish engulfing (supply) and a bullish engulfing (demand). A bearish/bullish engulfing (BE) is a decision point that consists of a short and long candlestick of different colors.

In essence, a bearish engulfing candle is a supply zone that consists of a short bullish candle and a long bearish candle. The long candle engulfs the short candle, which gives an impression that the bears are in control of the market. Hence, we expect the decision point to hold the price on FTB. The opposite is true for bullish engulfing.



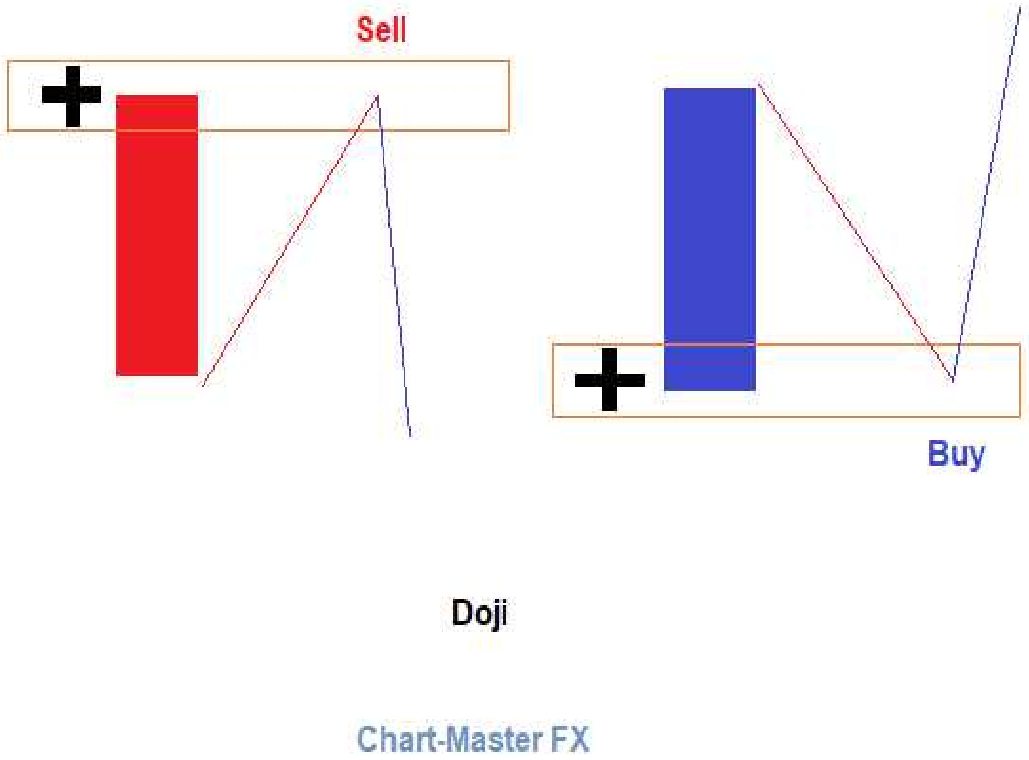
Decision Points

Doji

In order for a Doji (DJ) to be considered valid, it should be followed by a Marubozu candle. The color of the Doji does not matter it can be a bullish or bearish Doji.

A DJ can be classified as a valid decision point if it is a reaction of a significant support or resistance line.

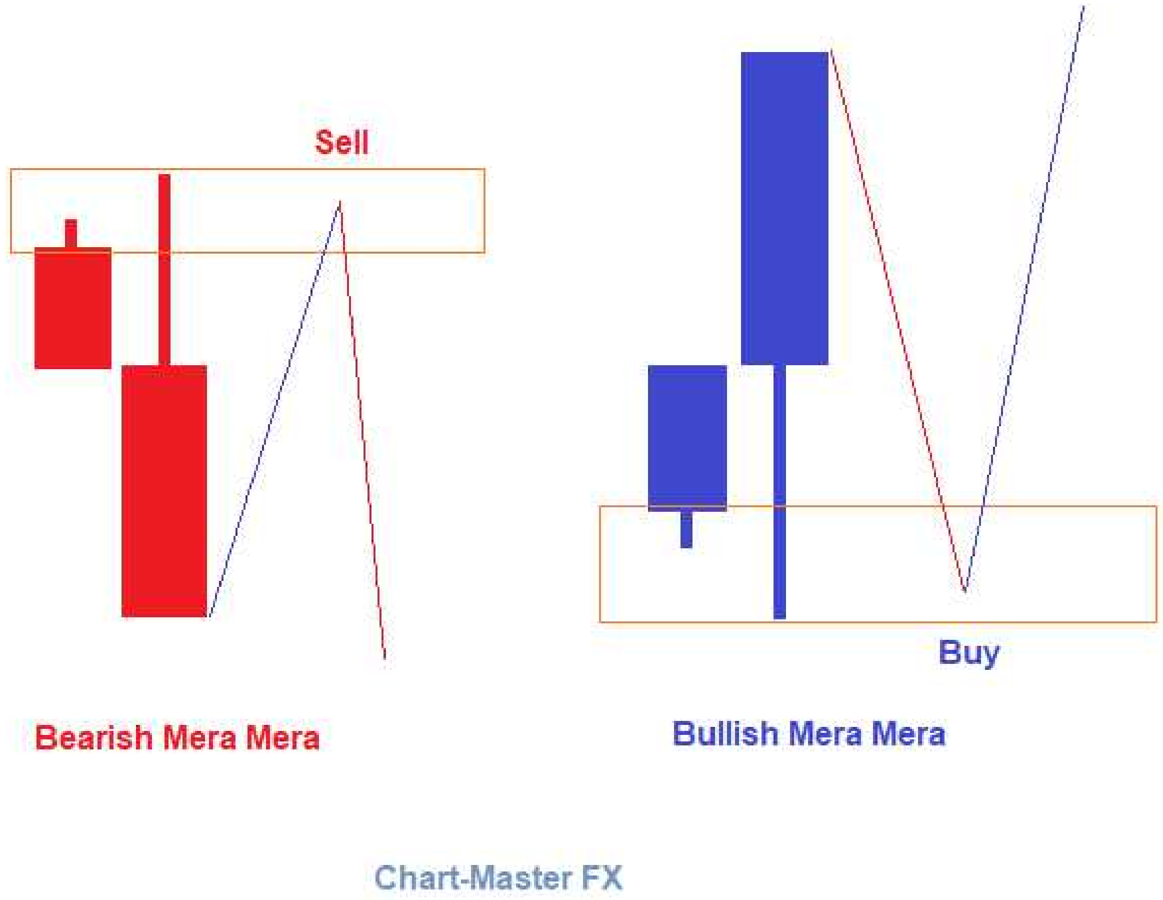
The Doji comes in various shapes, hence, there is a lot of variability and subjectivity surrounding the use of this decision point. Therefore, logic should be used when drawing the demand or supply zone of interest.



Decision Points

Mera Mera

The Mera Mera (MM) is a decision point where a bullish candle engulfs another bullish candle (buy setup) or a bearish candle engulfs another bearish candle (sell setup). There are generally two types of MM decision points namely the Bearish Mera Mera and the Bullish Mera Mera. The wick of the engulfing candle should be longer than the body. The long wick should engulf both the body and the wick of the small candle.





Chapter One

[BS]

Blind Spot

Blind Spot

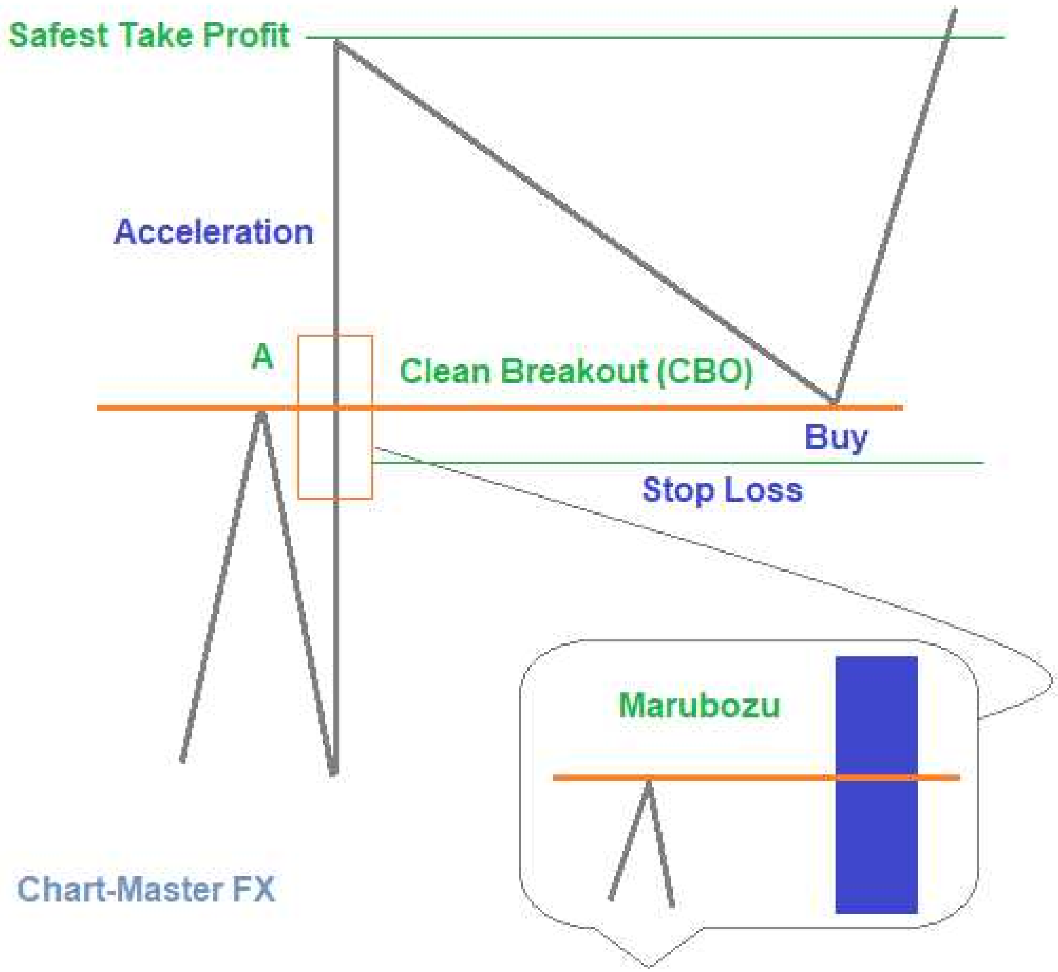
Buy Anatomy

The price should make an RBD, which is a resistance line. After the creation of the RBD, the resistance line should be extend to the right.

Thereafter, wait for a clean break at the resistance line. The candlestick that breaks the resistance line should be a Marubozu candle.

Entry: At the resistance line.
Stop Loss: 10 to 20 pips below the resistance line.

Acceleration is also an important variable to consider when trading this SOP.



Blind Spot

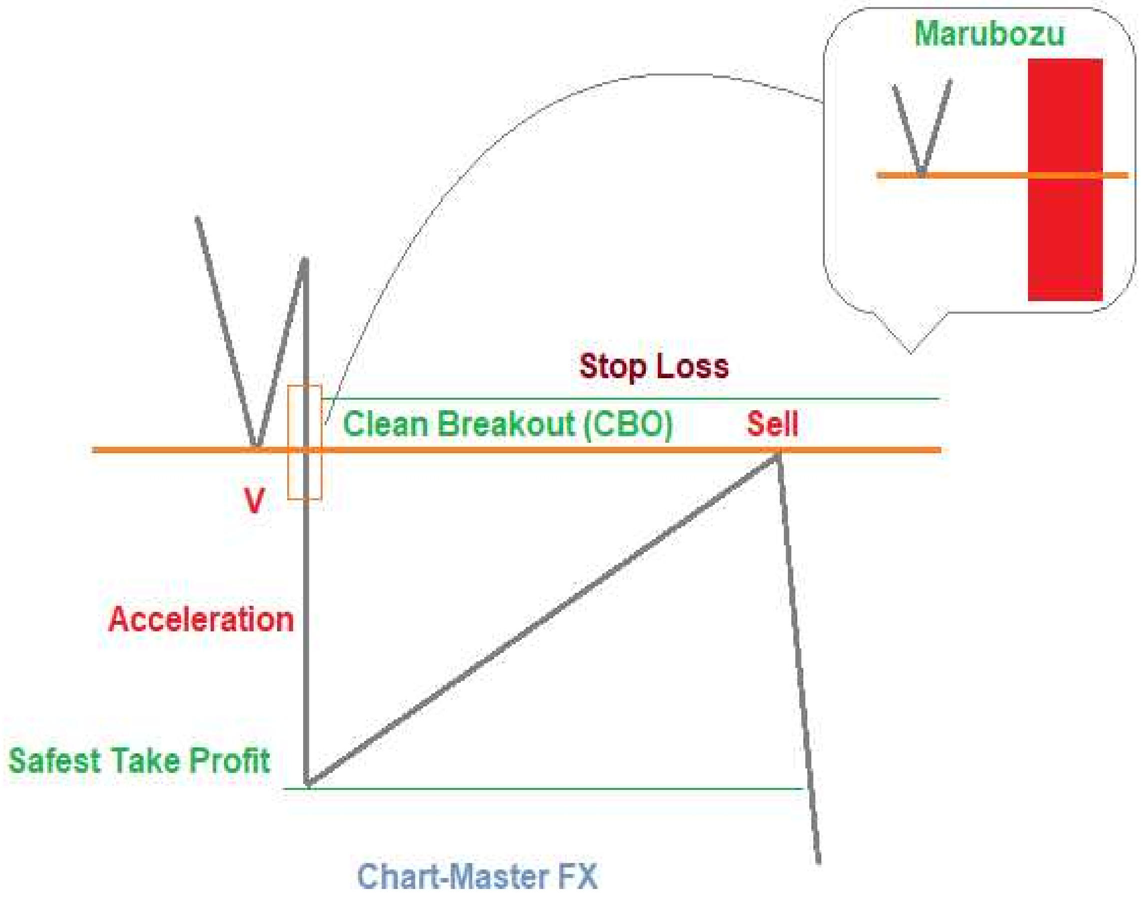
Sell Anatomy

The price should make a DBR, which then forms a support line. After the creation of the DBR, the support line should be extended the to the right.

Thereafter, wait for a clean break at the support line. The candlestick that breaks the support line should be a Marubozu candle.

Entry: Enter at the Support line.
Stop Loss: 10 to 20 pips above the resistance line.

The acceleration of price should be very strong.



Blind Spot SWOT Analysis

BS Strengths

- This strategy occurs often in the market. You can win more than you lose if you follow the trading plan.

- This SOP is categorized as a touch trade strategy with a minimum drawdown.

BS Weaknesses

- The main drawback of this strategy is that it does not have a predetermined level to put a stop loss. Nevertheless, the stop loss should be 10 to 20 pips above the entry point.

- The trade is entered blindly as the name of the strategy implies.

- The use of decision points for entry such as a hidden base, bullish/bearish engulfing, Doji or Mera Mera is inapplicable in this strategy.

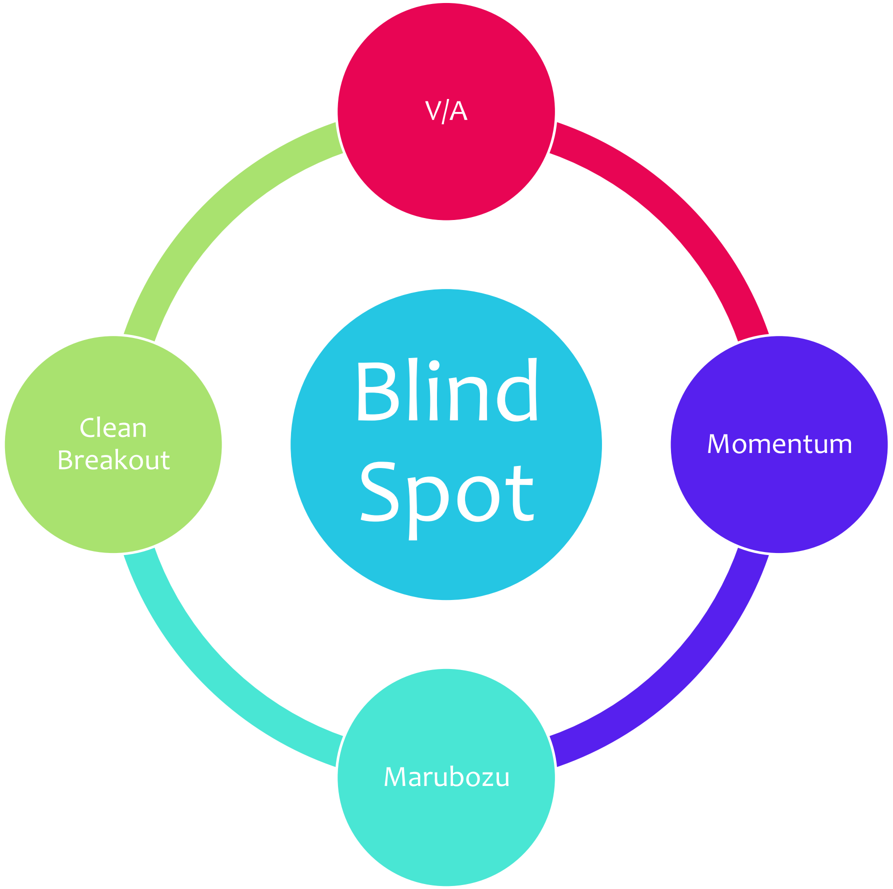
Blind Spot Commandments

Rubrics	Elucidations
• There should be a sharp V for a sell setup. • There should be a sharp A for a buy setup. • There should be a clean breakout. • The price should break the resistance/support line with a Marubozu. • The price should show heavy acceleration or momentum during the break of the magic line.	• Rules are there to protect not to harm. As human beings, we like freedom and desire to do whatever we want without restrictions. Nonetheless, in forex trading, rules are very important. There save you in the long run. You should follow the rules religiously if you want to get consistent results. • There are many setups that can occur in the market. Hence, when the conditions are not meet, there is no need to take the trade. Always know that a beautiful setup is around the corner. Forex trading is a waiting game, knowing where and when to enter is pivotal to your success in this industry.

Blind Spot Variables

Variables

There are generally four variables that are important when assessing the validity of a Blind Spot setup. The variables are V/A, Momentum, Marubozu, and Clean Breakout.

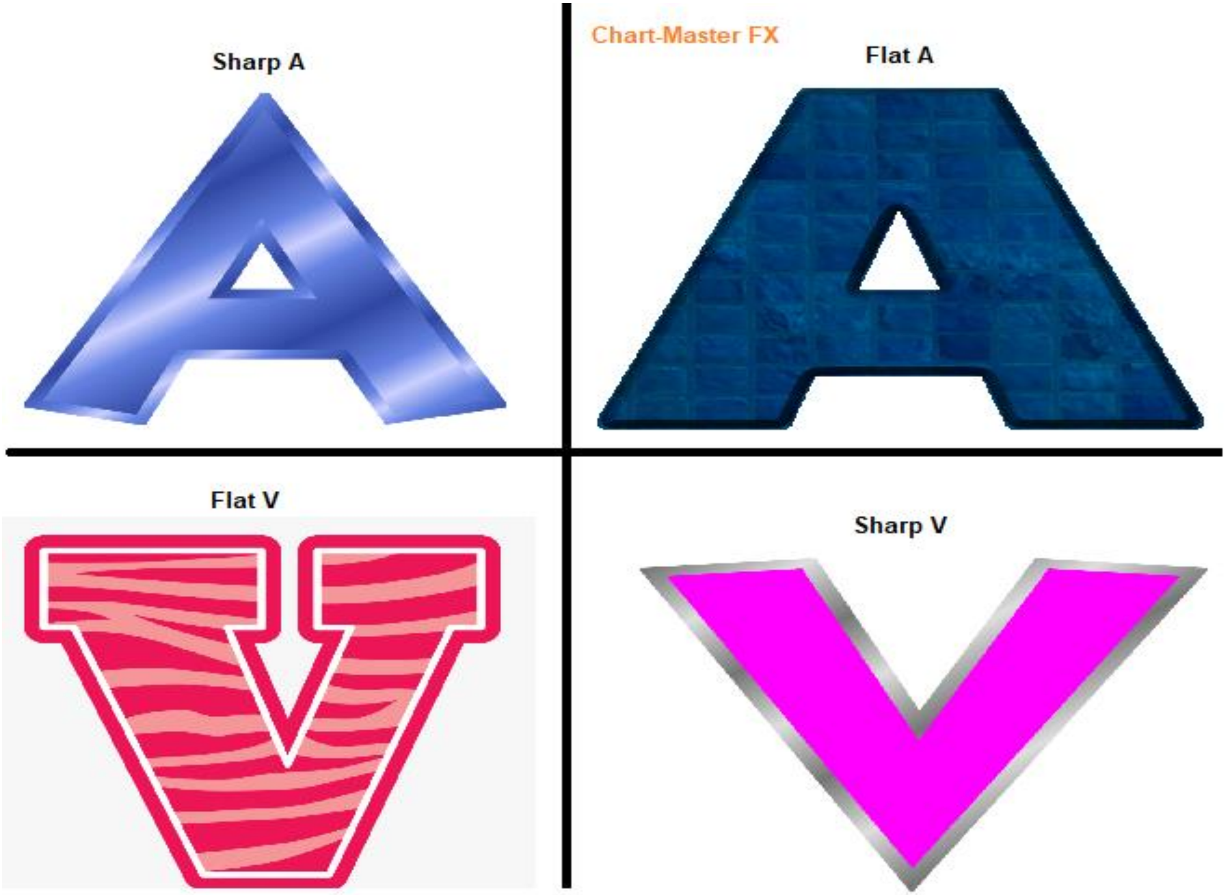


V/A Variable

V/A

V/A: The V is applicable when dealing with the Sell Setup while A is applicable when dealing with a Buy Setup. The W is also another version of V whereas M is another version of A. The most important aspect to consider on this variable is the sharpness of V/A. The V needs to be very sharp.

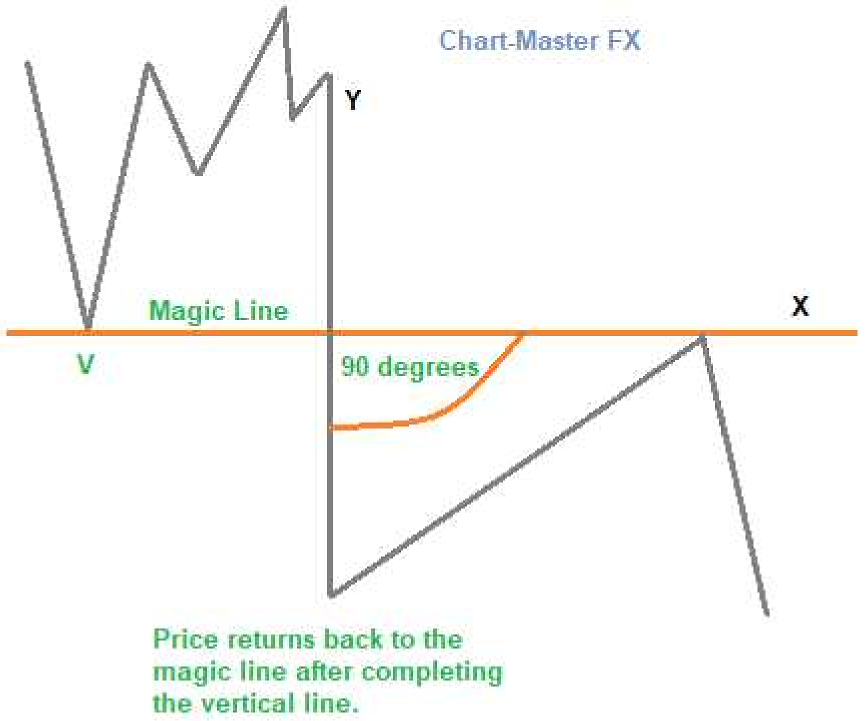
The V/A can be in the form of wicks or body candles. There is no significant difference found yet concerning this variable.



Momentum

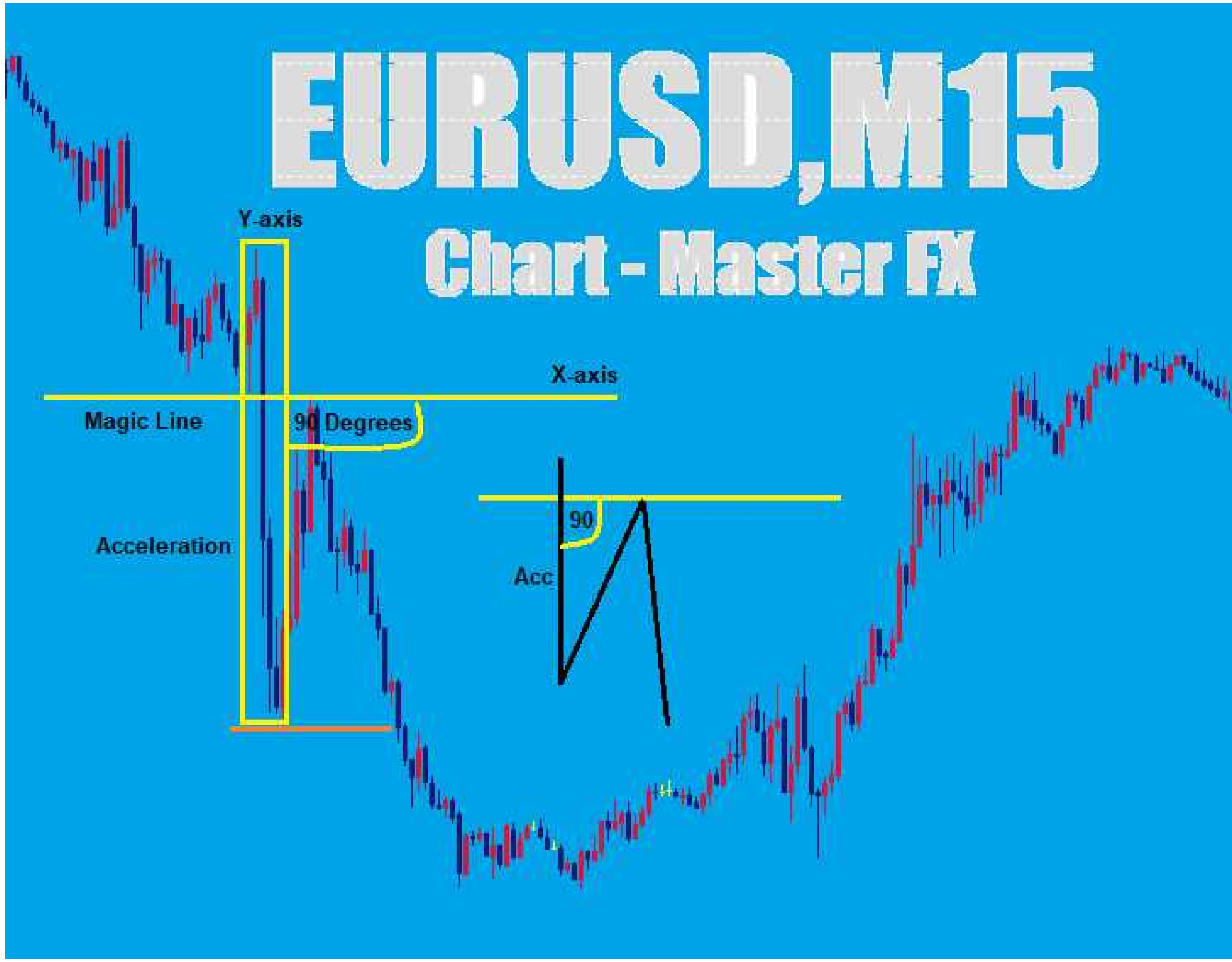
Momentum is another important variable to consider when trading the blind spot SOP. The price should have strong momentum (impulse) during the break of the support/resistance line of interest. The acceleration should be in the form of a vertical line.

The Cartesian plane with X and Y axis can be used to measure momentum. Let the X-axis be the magic line and the Y-axis the acceleration/momentum of price.



Momentum

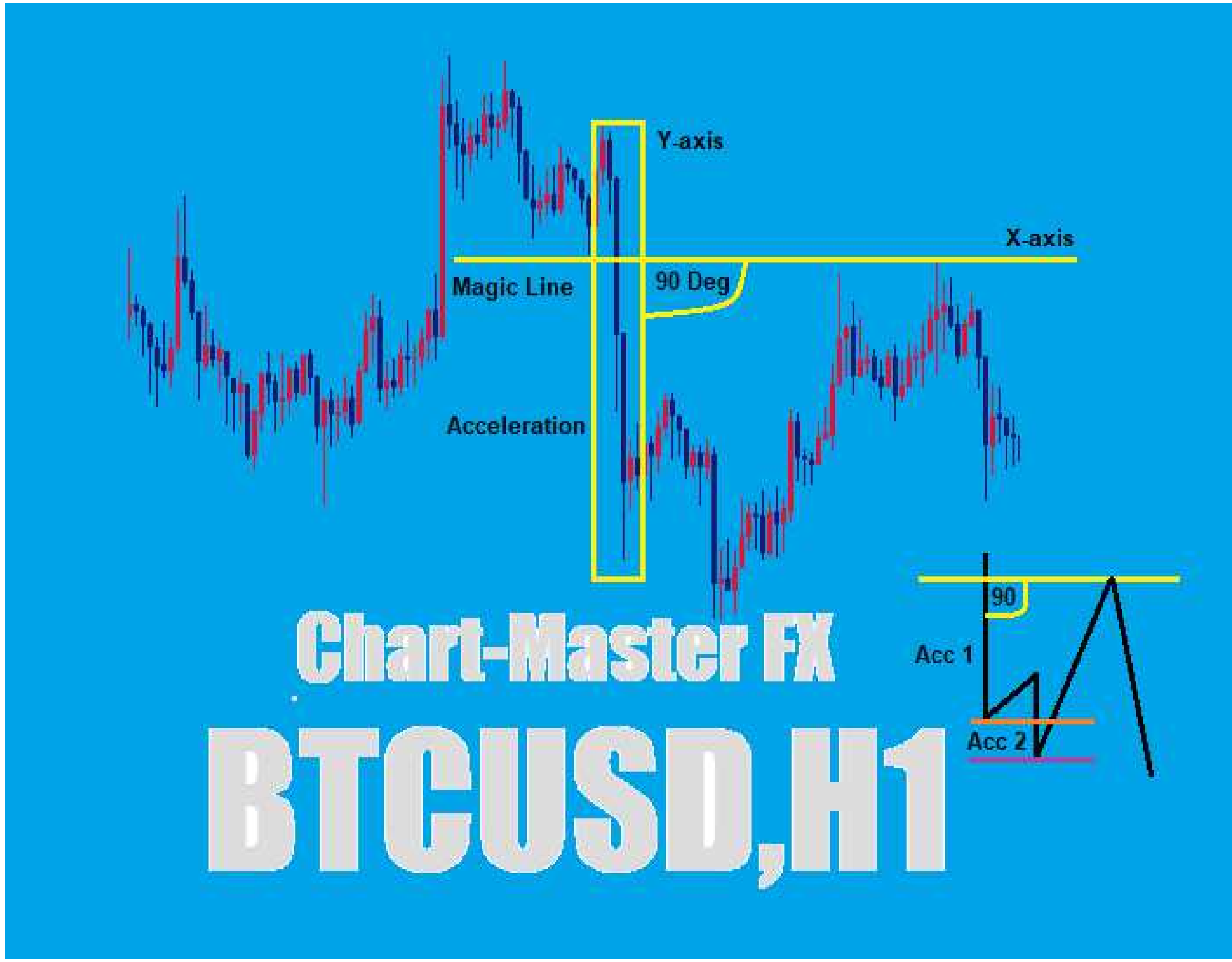
This chart shows a perfect example of momentum to always look for. In this case, the price made a single straight line southwards. There is no drop base drop in this case, and all the candles are purely bearish candles. The 90 degrees angle is very clear. This momentum is classified as "very strong".



Momentum Variable

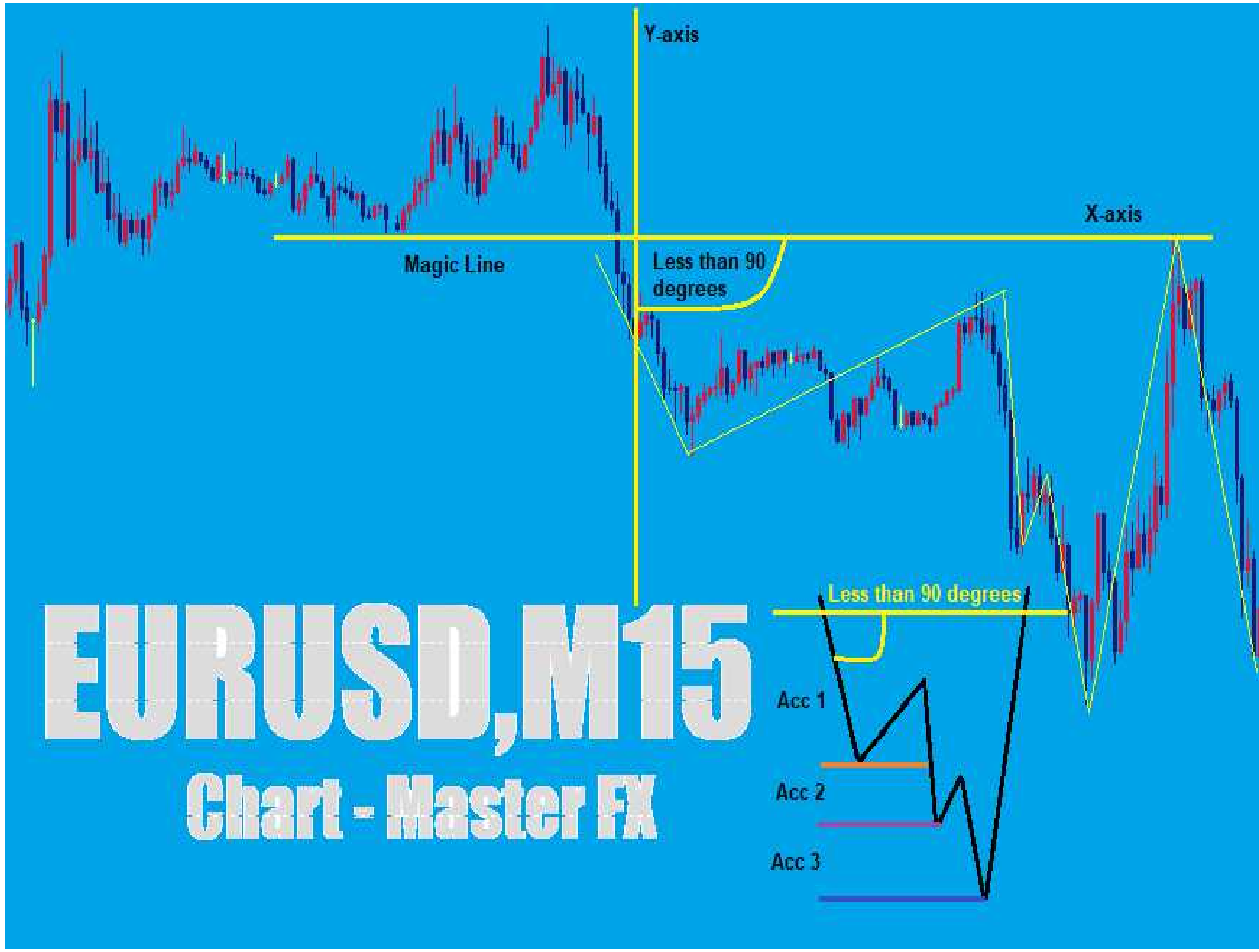
Momentum

The Cartesian plane concept is clearly applied on the chart. It helps you to measure momentum precisely. This chart shows that the intersection of the magic line and acceleration created at a 90 degrees angle. In this chart, the price made the first (ACC 1) and second (ACC 2) push before returning back to the zone of interest. This type of momentum is often categorized as "strong".



Momentum

As shown in the chart, the angle is less than 90 degrees. The price made ACC 1, ACC 2, and ACC 3. The more the ACCs the less effective the momentum becomes. This type of momentum should be avoided by all means.



Marubozu

A Marubozu is a single-colored Japanese candlestick that represents a strong selling or buying force. In context, a Marubozu is a big candlestick that breaks the magic line without showing any signs of respect to that level. The clean breakout of the Marubozu makes the zone attractive on the way back. The diagrammatic representation of this candlestick pattern is shown in the Blind Spot anatomy.

Clean Breakout Variable

Clean breakout

A clean breakout occurs when the price does not show some signs of hesitation during the break of the zone of interest. It just passes through like there is nothing at that zone to stop the price. In other words, the price should not even make a reaction. It needs to just pass through like a knife slicing through margarine. This condition needs to be taken into consideration when examining the validity of the setup.

Classification Algorithm

V/A Factors:
(1) Sharp V/A (SVA), Flat V/A (FVA) .
(2) V/A candle type (BE, DJ, MM) (Yes, No).
(3) V/A Body Candle, Wick Candle.

Momentum (MM) Factors: Very Strong (VS), Strong (S) and Fairly Strong (FS).

Marubozu (MB) Factors: Marubozu Valid (MV), Marubozu Not Valid (MNV).

Clean Breakout (CBO) Factors: Clean Breakout (CBO), Unclean Breakout (UBO).

TC = Trade Classification

	1	2	3	4	5	6	7	8	9	10	11	12
V/A	SVA/ Yes	SVA/ Yes	SVA/ No	SVA/ No	SVA/ Yes	SVA/ No	FVA/ Yes	FVA/ Yes	FVA/ No	FVA/ Yes	FVA/ No	FVA/ No
MM	VS	S	VS	S	FS	FS	VS	S	VS	FS	S	FS
MB	MV	MV	MV	MV	MV	MV	MV	MV	MV	MV	MV	MV
CBO	CBO	CBO	CBO	CBO	CBO	CBO	CBO	CBO	CBO	CBO	CBO	CBO
TC	Low Risk	Low Risk	Low Risk	Mid Risk	Mid Risk	Mid Risk	Mid Risk	Mid Risk	Mid Risk	High Risk	High Risk	High Risk

Classification Description

Low Risk

There are two static variables in this algorithm namely MB and CBO. These conditions cannot be compromised. A trade should not be taken if the setup violates one of these conditions. As shown on the classification table. A setup can be considered to be a low risk trade if;

(a) It has a sharp V/A with a valid DP (BE, DJ, MM), and a very strong momentum (Code 1).

(b) It has a sharp V/A with a valid DP (BE, DJ, MM), and strong momentum (Code 2).

(c) It has a sharp V/A with an invalid DP (BE, DJ, MM), and very strong momentum (Code 3).

Medium Risk

Keeping the variables MB and CBO constant. A trade can be classified as a medium risk trade if;

(a) It has a sharp V/A with an invalid DP, and strong momentum (Code 4).

(b) It has a sharp V/A with a valid DP, and a fairly strong momentum (Code 5).

(c) It has a sharp V/A with no valid DP, and a fairly strong momentum (Code 6).

(d) It has a flat V/A with a valid DP, and a very strong momentum (Code 7).

(e) It has a flat V/A with a valid DP, and strong momentum (Code 8).

(f) It has a flat V/A with an invalid DP, and a very strong momentum (Code 9).

High Risk

Keeping the variables MB and CBO constant. A trade can be classified as a high risk trade if;

(a) It has a flat V/A with a valid DP, and a fairly strong momentum (Code 10).

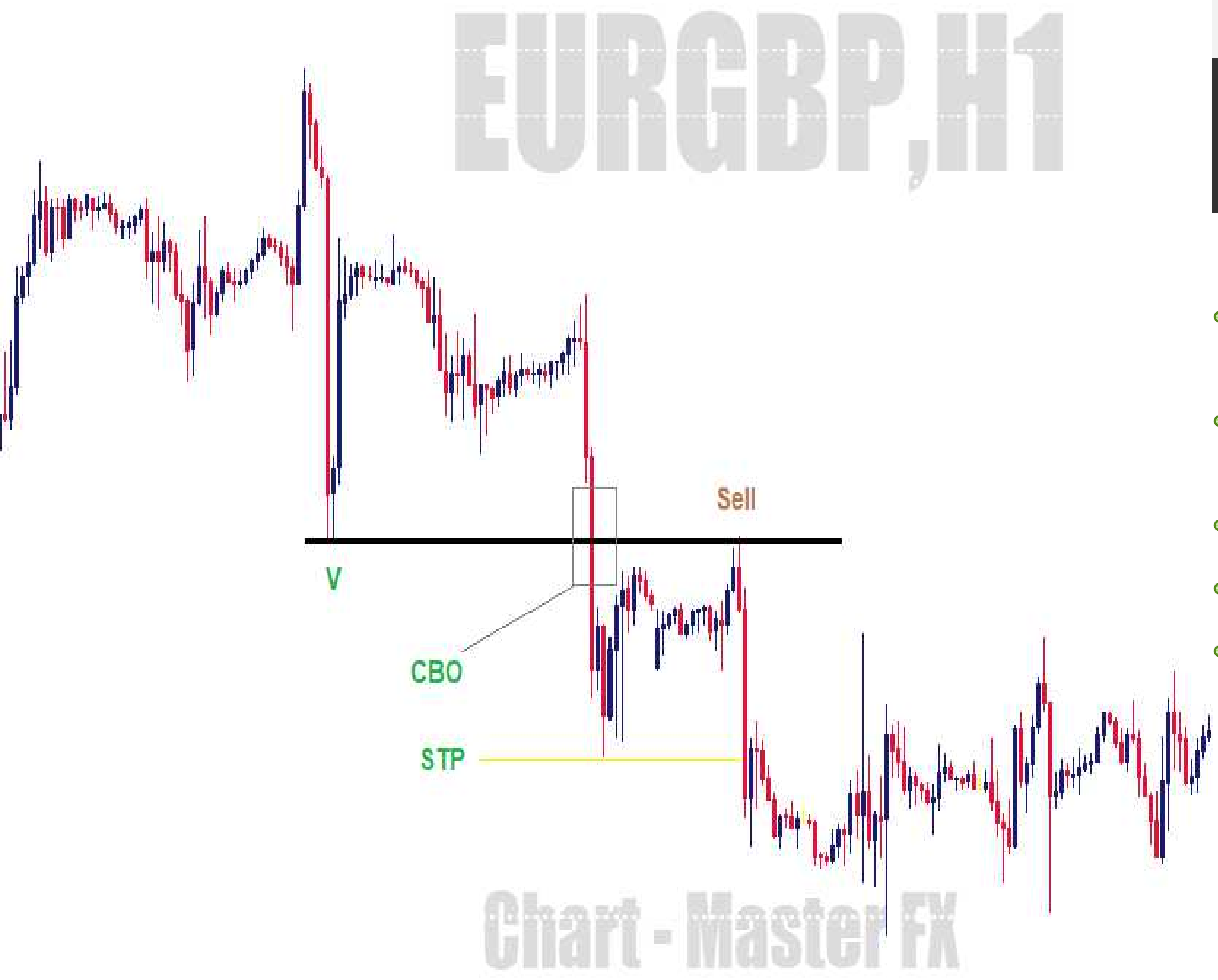
(b) It has a flat V/A with no valid DP, and a strong momentum (Code 11).

(c) It has a flat V/A with an invalid DP, and a fairly strong momentum (Code 12).

Chart Examples

Blind Spot (BS)

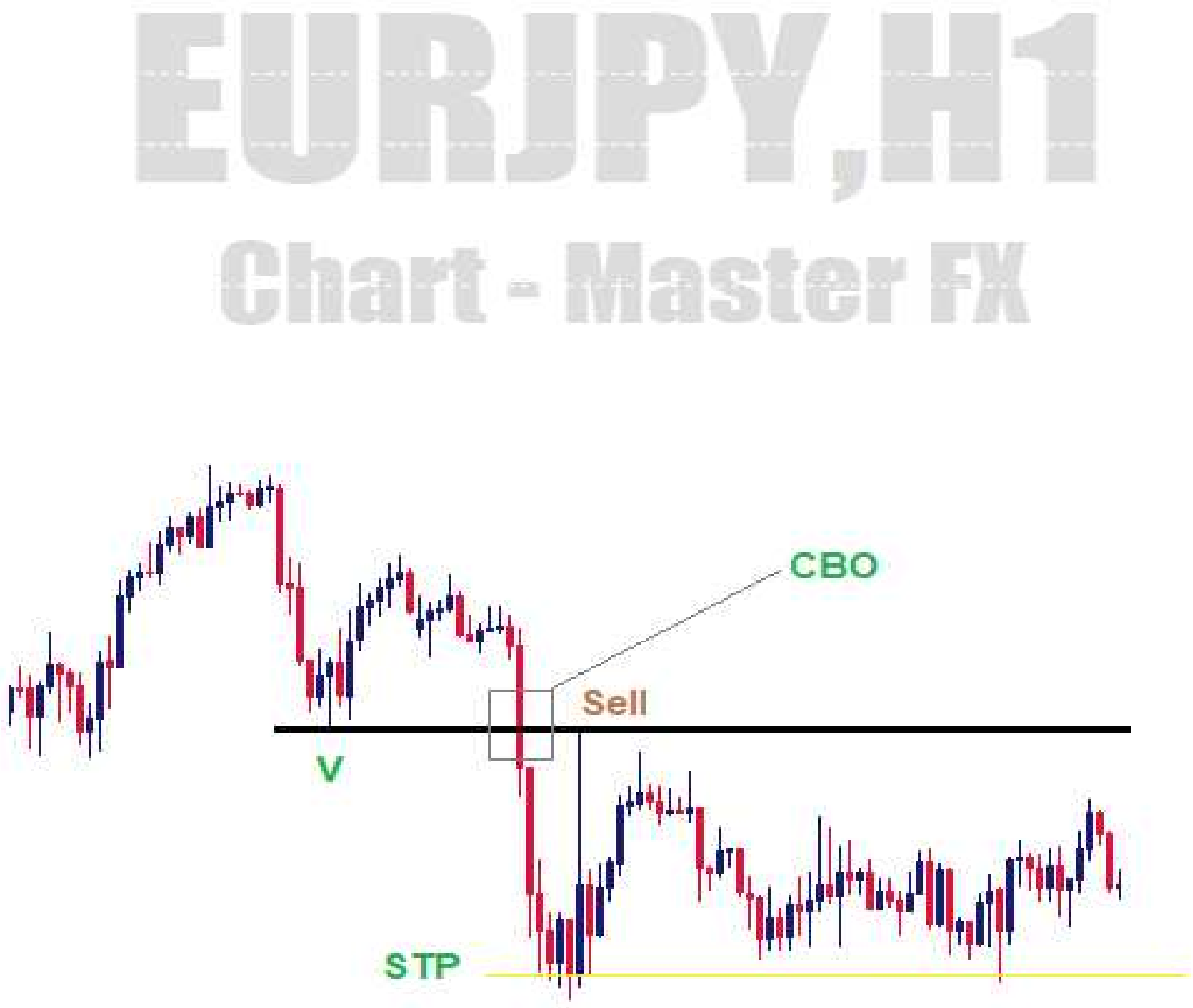
Variables: V, Momentum, Marubozu, Clean Breakout.



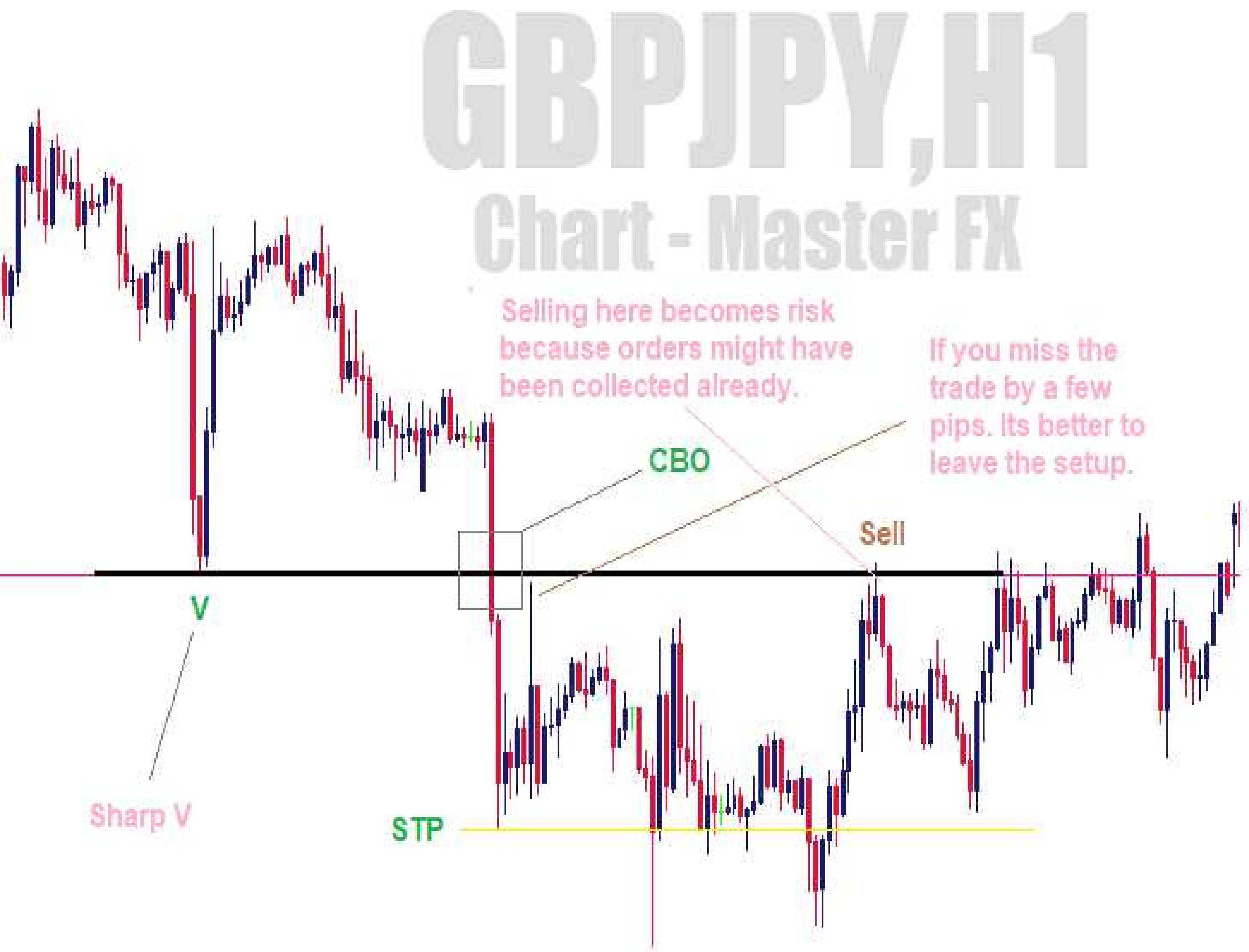
- **V:** The V is in the form of shadows and is very sharp. It is in the form of DJ-DP.
- **Momentum:** The momentum of price at the break of the magic line is very strong.
- **Marubozu:** The Marubozu is valid.
- **Clean Breakout:** The breakout is clean.
- **Trade Classification:** This trade is categorized as a low-risk setup (Code 1).

Blind Spot (BS)

Variables: V, Momentum, Marubozu, Clean Breakout.



- **V:** The V is in the form of shadows and is flat with no obvious DP.
- **Momentum:** The momentum is very strong to the downside.
- **Marubozu:** The Marubozu is valid.
- **Clean Breakout:** The breakout is clean.
- **Trade Classification:** This trade is categorized as a medium risk setup (Code 9).



Blind Spot (BS)

Variables: V, Momentum, Marubozu, Clean Breakout.

- **V:** The V is in the form of body candles and is very sharp. It is classified as a BE-DP.
- **Momentum:** The momentum is very strong.
- **Marubozu:** The Marubozu is valid.
- **Clean Breakout:** The breakout is clean.
- **Trade Classification:** This trade is categorized as a low risk setup (Code 1). Nevertheless, the orders might have been consumed already as the magic line was missed by few pips.



Blind Spot (BS)

Variables: V, Momentum, Marubozu, Clean Breakout.

- **V:** The V is in the form of shadows and is sharp. There is no definite DP.
- **Momentum:** The momentum is fairly strong. Price made a pause which might be a sign of weakness.
- **Marubozu:** The Marubozu is valid.
- **Clean Breakout:** The breakout is clean.
- **Trade Classification:** This trade is categorized as a medium risk setup (Code 6). The reason is because of the questionable acceleration to the downside.
- The approach of the price is good. The price moved slowly to the entry line, which is a good approach to a decision point.

Blind Spot (BS)

Variables: V, Momentum, Marubozu, Clean Breakout.



- **V:** The V is in the form of body candles, which is an added advantage. The V is sharp and is a BE-DP type.
- **Momentum:** The momentum of price is strong, consisting of few candles.
- **Marubozu:** The Marubozu is valid.
- **Clean Breakout:** There is a clean breakout.
- **Trade Classification:** This trade is categorized as a low risk setup (Code 2).
- The price retested the magic line immediately, which add extra strength.

Blind Spot (BS)



Variables: V, Momentum, Marubozu, Clean Breakout.

- **V:** The V is in the form of shadows and is very sharp. There is no valid DP.
- **Momentum:** The momentum is strong to the downside. There is a pause that is made by the price which is a sign of weakness.
- **Marubozu:** The Marubozu is valid.
- **Clean Breakout:** The breakout is clean.
- **Trade Classification:** This trade is categorized as a medium risk setup (Code 4).



Blind Spot (BS)

Variables: V, Momentum, Marubozu, Clean Breakout.

- **V:** The V is in the form of shadows and is very sharp. It is classified as a DJ-DP.
- **Momentum:** The momentum is strong to the downside.
- **Marubozu:** The Marubozu is valid.
- **Clean Breakout:** The breakout is clean.
- **Trade Classification:** This trade is categorized as a low risk setup (Code 2) since all conditions were met.



Blind Spot (BS)

Variables: V, Momentum, Marubozu, Clean Breakout.

- **V:** The V is in the form of shadows and is very sharp. There is no valid DP.
- **Momentum:** The acceleration of price is very strong to the downside, almost like a straight line.
- **Marubozu:** The Marubozu is valid.
- **Clean Breakout:** There is a clean breakout.
- **Trade Classification:** This trade is categorized as a low risk (Code 3) setup since all the boxes in the checklist have been ticked.



Blind Spot (BS)

Variables: A, Momentum, Marubozu, Clean Breakout.

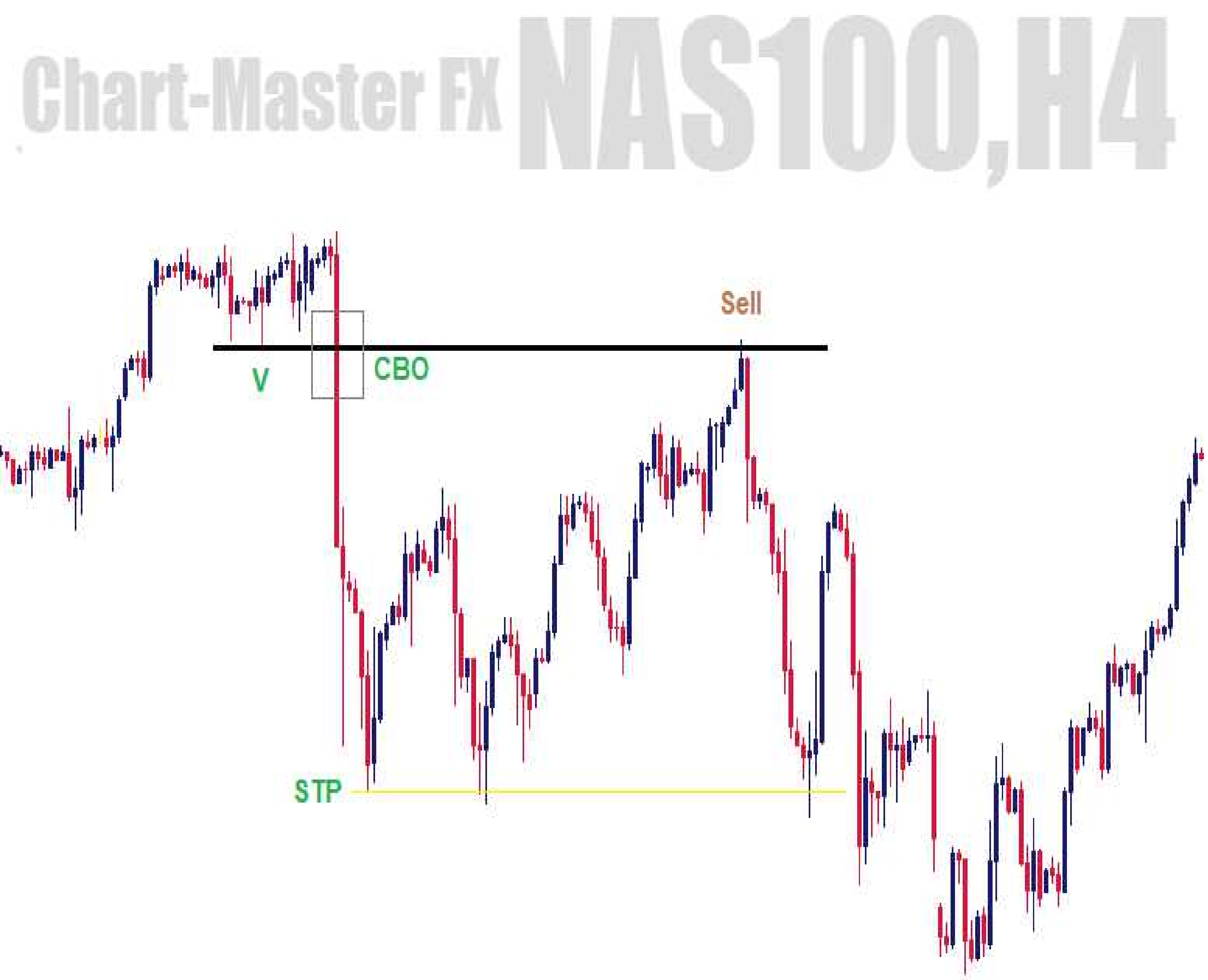
- **A:** The A is in the form of body candles. It is classified as flat. The A is a DJ-DP type.
- **Momentum:** The momentum is very strong to the upside.
- **Marubozu:** The Marubozu is valid.
- **Clean Breakout:** The breakout is clean.
- **Trade Classification:** This trade is categorized as a medium risk setup (Code 7) since the sharpness of the V is questionable.
- As usual the stop loss should be 10 to 20 pips away from the magic line.



Blind Spot (BS)

Variables: A, Momentum, Marubozu, Clean Breakout.

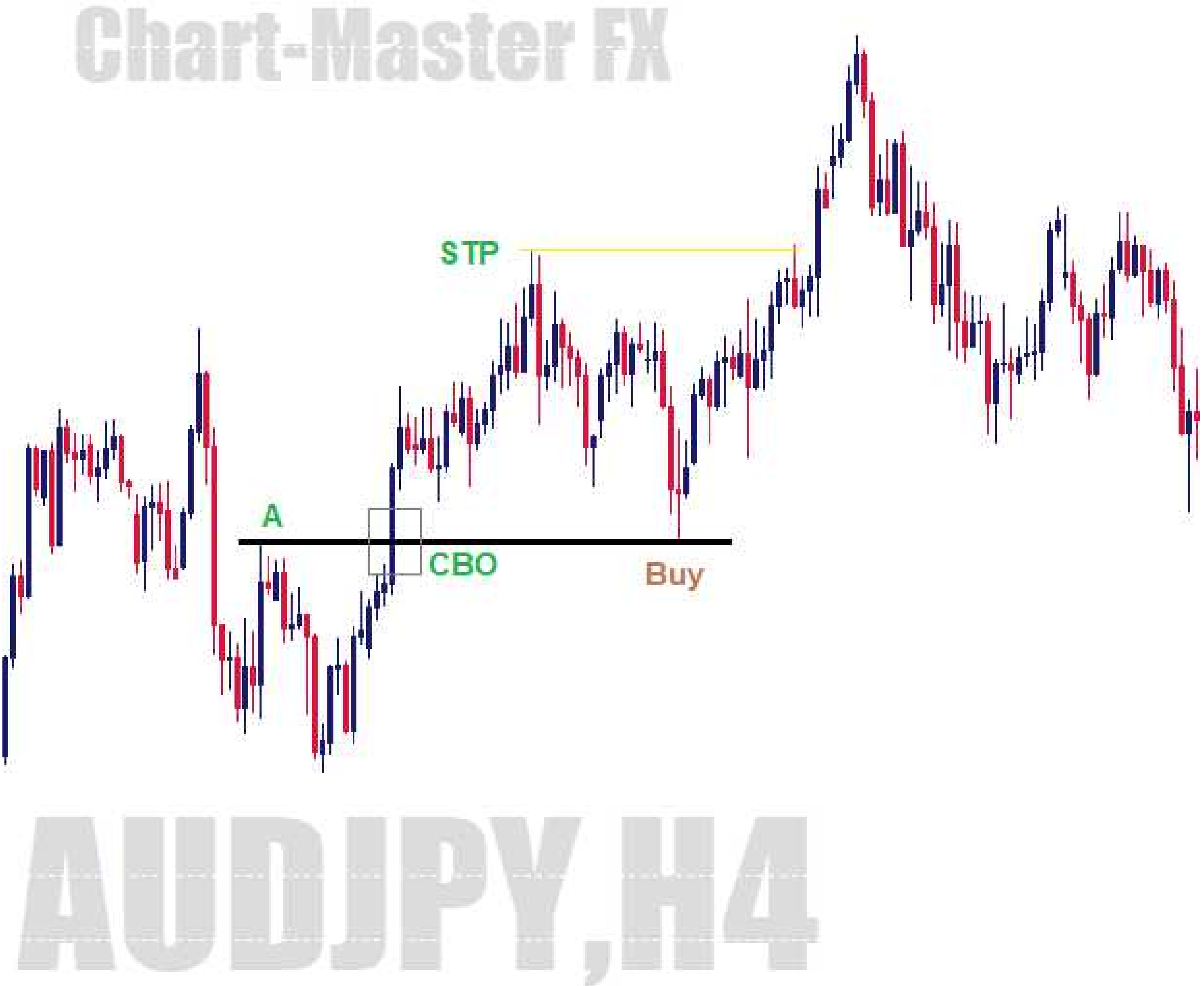
- **A:** The A is a shadow type and is very sharp. The A is classified as a BE-DP.
- **Momentum:** The momentum is fairly strong to the upside. However, the price started to flag after the clean breakout, which might be a sign of weakness.
- **Marubozu:** The Marubozu is valid.
- **Clean Breakout:** The breakout is clean.
- **Trade Classification:** This trade is categorized as a medium risk setup (Code 5).



Blind Spot (BS)

Variables: V, Momentum, Marubozu, Clean Breakout.

- **V:** The V is in the form of shadows. In this case, it is almost in the form of a W sharp, which is still fine. There is no obvious DP.
- **Momentum:** The acceleration of price to the downside is very is strong.
- **Marubozu:** The Marubozu is valid.
- **Clean Breakout:** The breakout is clean.
- **Trade Classification:** This trade is categorized as a low risk setup (Code 3).
- The approach of price to the magic line is very good. It approached the zone of interest slowly.



Blind Spot (BS)

Variables: A, Momentum, Marubozu, Clean Breakout.

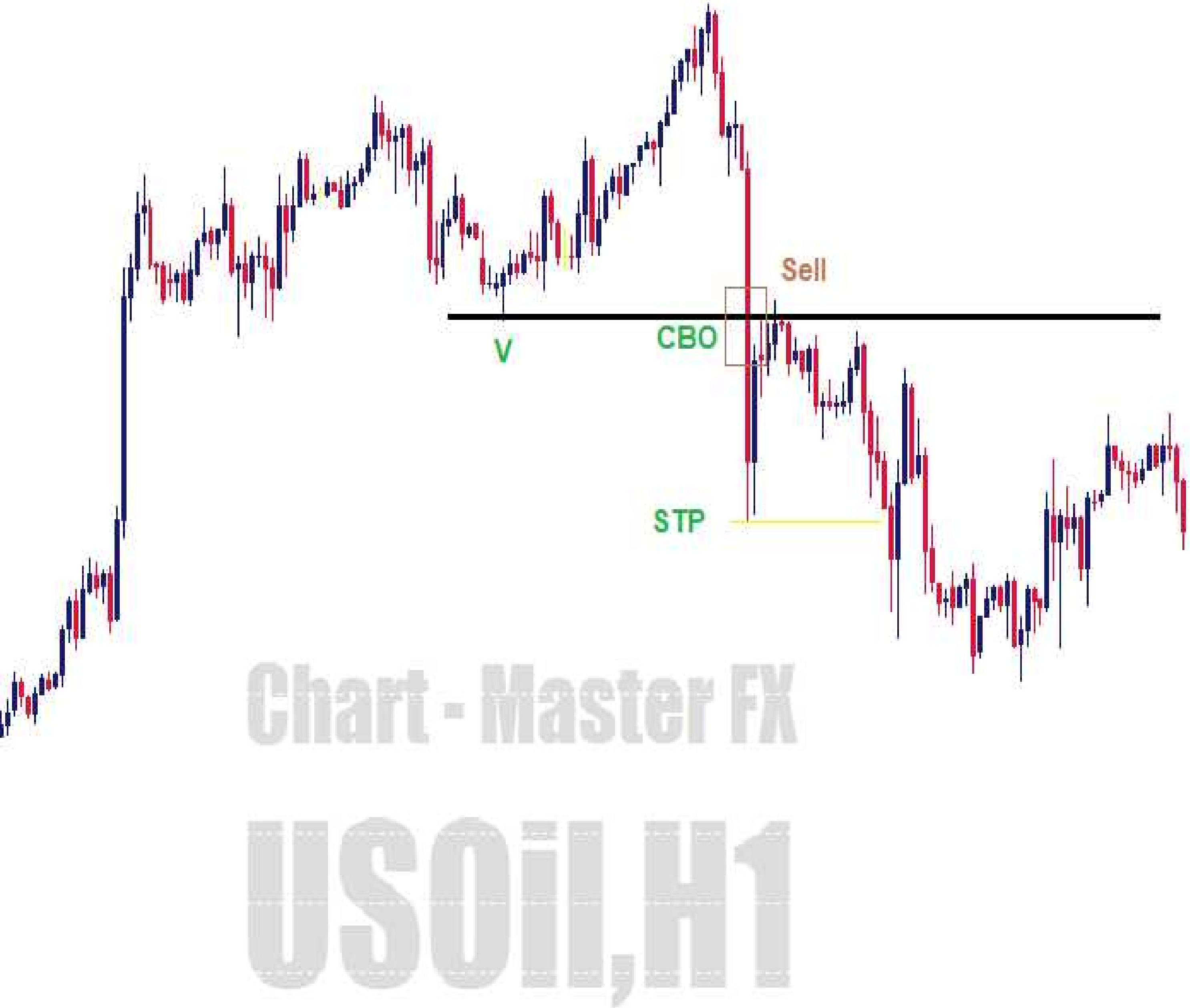
- **A:** The A is in the form of shadows and is flat. The A is classified as a DJ/BE – DP.
- **Momentum:** The momentum is fairly strong to the upside.
- **Marubozu:** The Marubozu is valid.
- **Clean Breakout:** The breakout is clean.
- **Trade Classification:** This trade is categorized as a high risk setup (Code 10) since the sharpness of the A and the acceleration of price is questionable.

Blind Spot (BS)



Variables: A, Momentum, Marubozu, Clean Breakout.

- **A:** The A is in the form of body candles and is very sharp. The A is classified as BE-DP.
- **Momentum:** The acceleration is very strong to the upside.
- **Marubozu:** The Marubozu is valid.
- **Clean Breakout:** The breakout is clean.
- **Trade Classification:** This trade is categorized as a low risk setup (Code 1). Nevertheless, the orders on the magic line might have been consumed already at FTB.



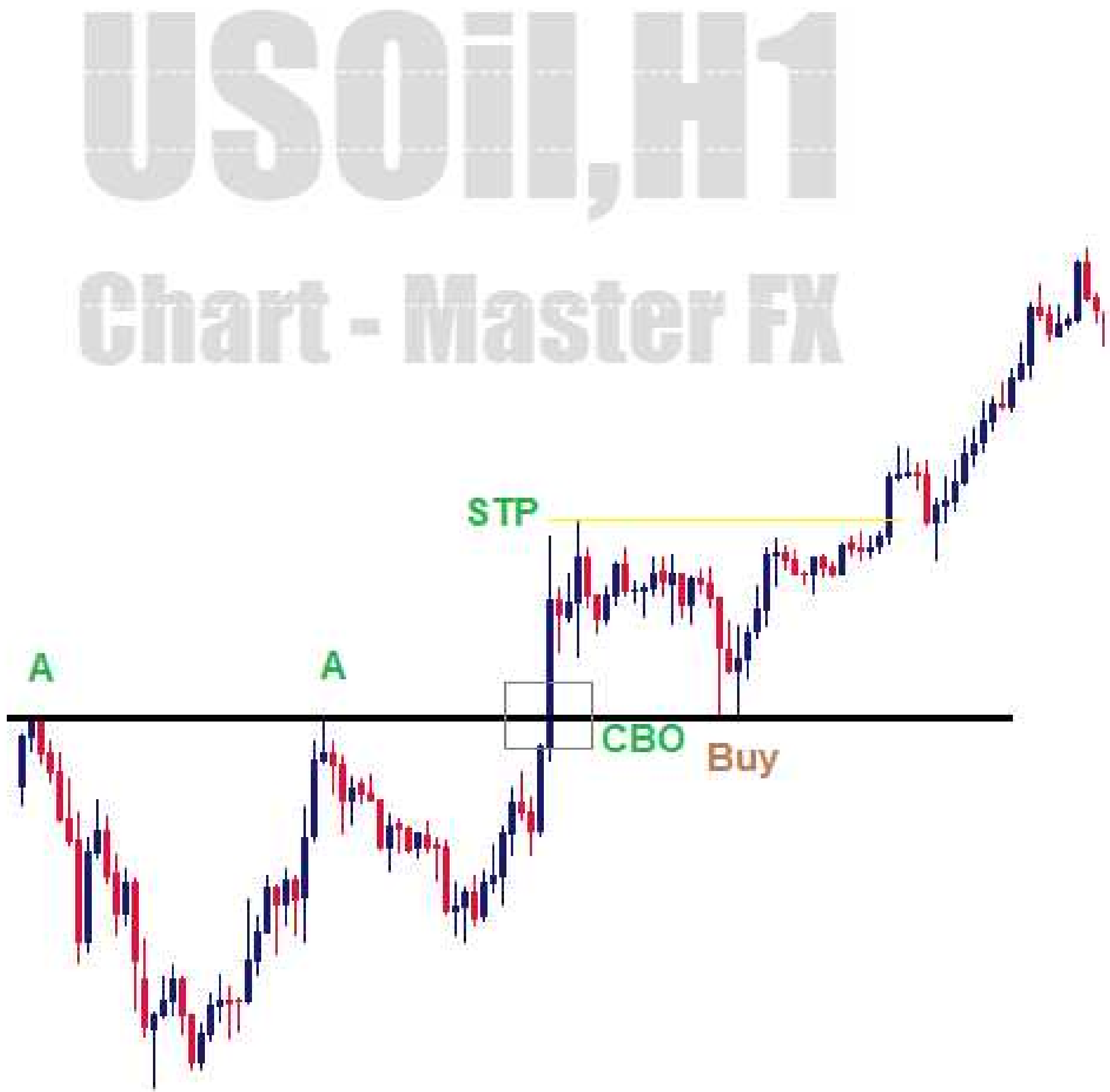
Blind Spot (BS)

Variables: V, Momentum, Marubozu, Clean Breakout.

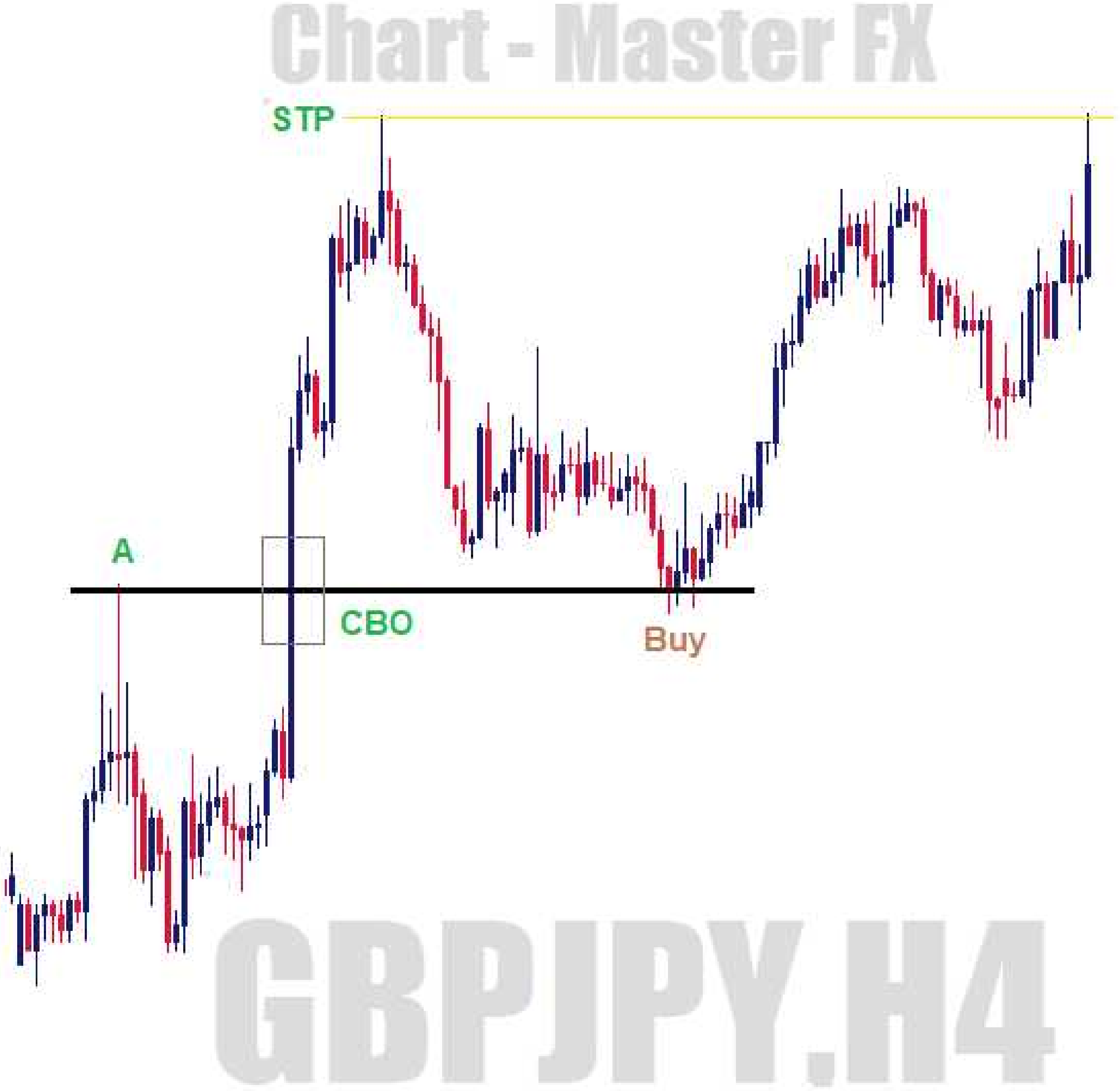
- **V:** The V is in the form of shadows and is sharp. The V is classified as a MM-DP.
- **Momentum:** The acceleration is very strong to the downside, almost like a straight line.
- **Marubozu:** The Marubozu is valid.
- **Clean Breakout:** The breakout is clean.
- **Trade Classification:** This trade is categorized as a low risk setup (Code 1).

Blind Spot (BS)

Variables: A, Momentum, Marubozu, Clean Breakout.



- **A:** The left A is in the form of body candles. It is classified as a BE-DP. On the other hand, the right A is in the form of a wick candle. Both 'A's are sharp.
- **Momentum:** The momentum is very strong.
- **Marubozu:** The Marubozu is valid.
- **Clean Breakout:** The breakout is clean.
- **Trade Classification:** This trade is categorized as a low risk setup (Code 1) since all conditions are satisfied.



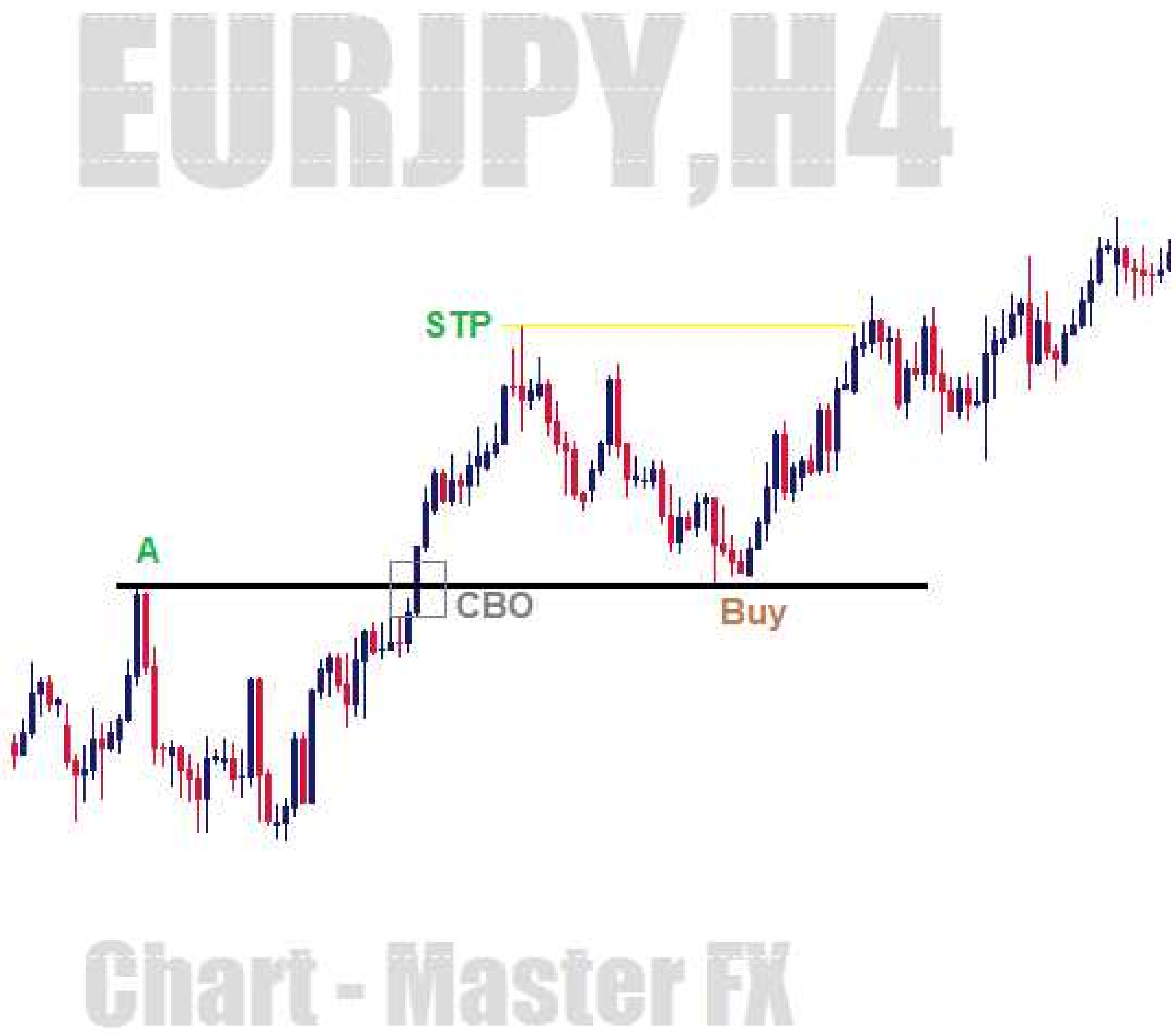
Blind Spot (BS)

Variables: A, Momentum, Marubozu, Clean Breakout.

- **A:** The A is a shadow type and is very sharp. There is a valid DJ-DP.
- **Momentum:** The momentum is strong but with some pauses along the way.
- **Marubozu:** The Marubozu is valid.
- **Clean Breakout:** The clean breakout condition is satisfied.
- **Trade Classification:** This trade is categorized as a low risk setup (Code 2) because the momentum to the upside is questionable.

Blind Spot (BS)

Variables: A, Momentum, Marubozu, Clean Breakout.



- **A:** The A is in the form of body candles and is very sharp. There is no valid DP.
- **Momentum:** The momentum is fairly strong, which is a drawback.
- **Marubozu:** The Marubozu is valid.
- **Clean Breakout:** The breakout is clean.
- **Trade Classification:** This trade is categorized as a medium risk setup (Code 6).
- The stop loss should be 10 – 20 pips below the magic line.

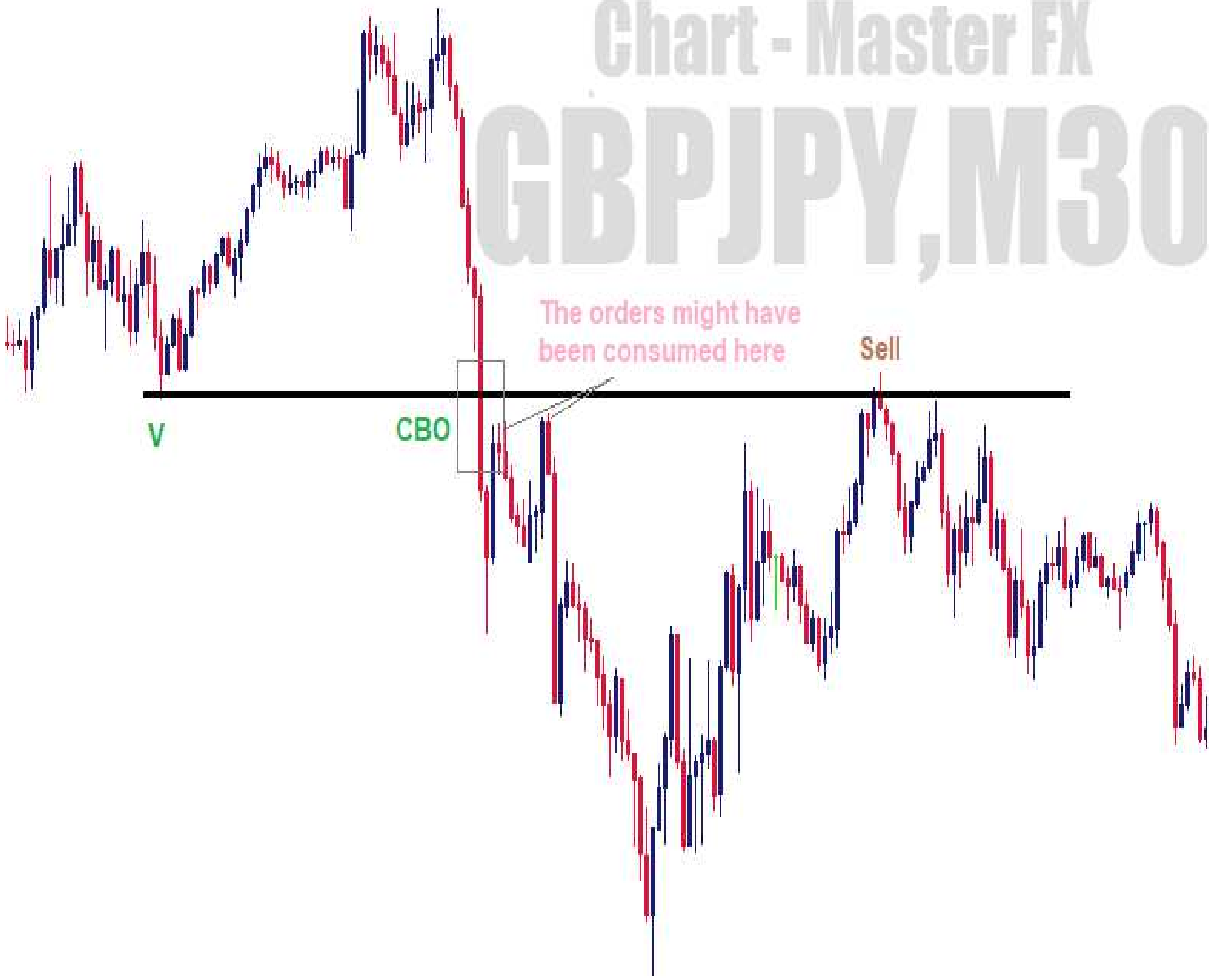
Blind Spot (BS)

Variables: V, Momentum, Marubozu, Clean Breakout.



- **V:** In this case, the V is kind of a W shape, which has also the same characteristics of the V letter . The W is in the form of wicks and is a BE-DP type.
- **Momentum:** The momentum is very strong to the downside.
- **Marubozu:** The Marubozu is valid.
- **Clean Breakout:** There is a clean breakout.
- **Trade Classification:** This trade is categorized as a low risk setup (Code 1).

Blind Spot (BS)



Variables: V, Momentum, Marubozu, Clean Breakout.

- **V:** The V is in the form of shadows. The V is classified as flat. There is no definite DP.
- **Momentum:** The acceleration of price is fairly strong.
- **Marubozu:** The Marubozu is valid.
- **Clean Breakout:** The breakout is clean.
- **Trade Classification:** This trade is categorized as high risk setup (Code 12).



Blind Spot (BS)

Variables: A, Momentum, Marubozu, Clean Breakout.

- **A:** The A is in the form of shadows and is very sharp. There is no valid DP on the A.
- **Momentum:** The acceleration of price is very strong to the upside.
- **Marubozu:** The Marubozu is valid.
- **Clean Breakout:** The breakout is very clean.
- **Trade Classification:** This trade is categorized as a low risk setup (Code 3).
- The approach of price to the magic line is good since the price moved slowly to zone of interest.



Blind Spot (BS)

Variables: V, Momentum, Marubozu, Clean Breakout.

- **V:** The V is a candle body type and is sharp. There is no valid DP.
- **Momentum:** The momentum is strong to the downside.
- **Marubozu:** The Marubozu is valid.
- **Clean Breakout:** The breakout is clean.
- **Trade Classification:** This trade is categorized as a medium risk setup (Code 4).
- The stop loss might have been hit. However, as long as the rules are met we need to religiously take the trades. The strategy is not 100 percent effective, you will eventually lose some of the trades.



Blind Spot (BS)

Variables: A, Momentum, Marubozu, Clean Breakout.

- **A:** The A is in the form of body candles and is sharp. It has a valid DJ-DP.
- **Momentum:** The momentum is strong to the upside.
- **Marubozu:** The Marubozu is valid.
- **Clean Breakout:** The breakout is clean.
- **Trade Classification:** This trade is categorized as a low risk setup (Code 2).



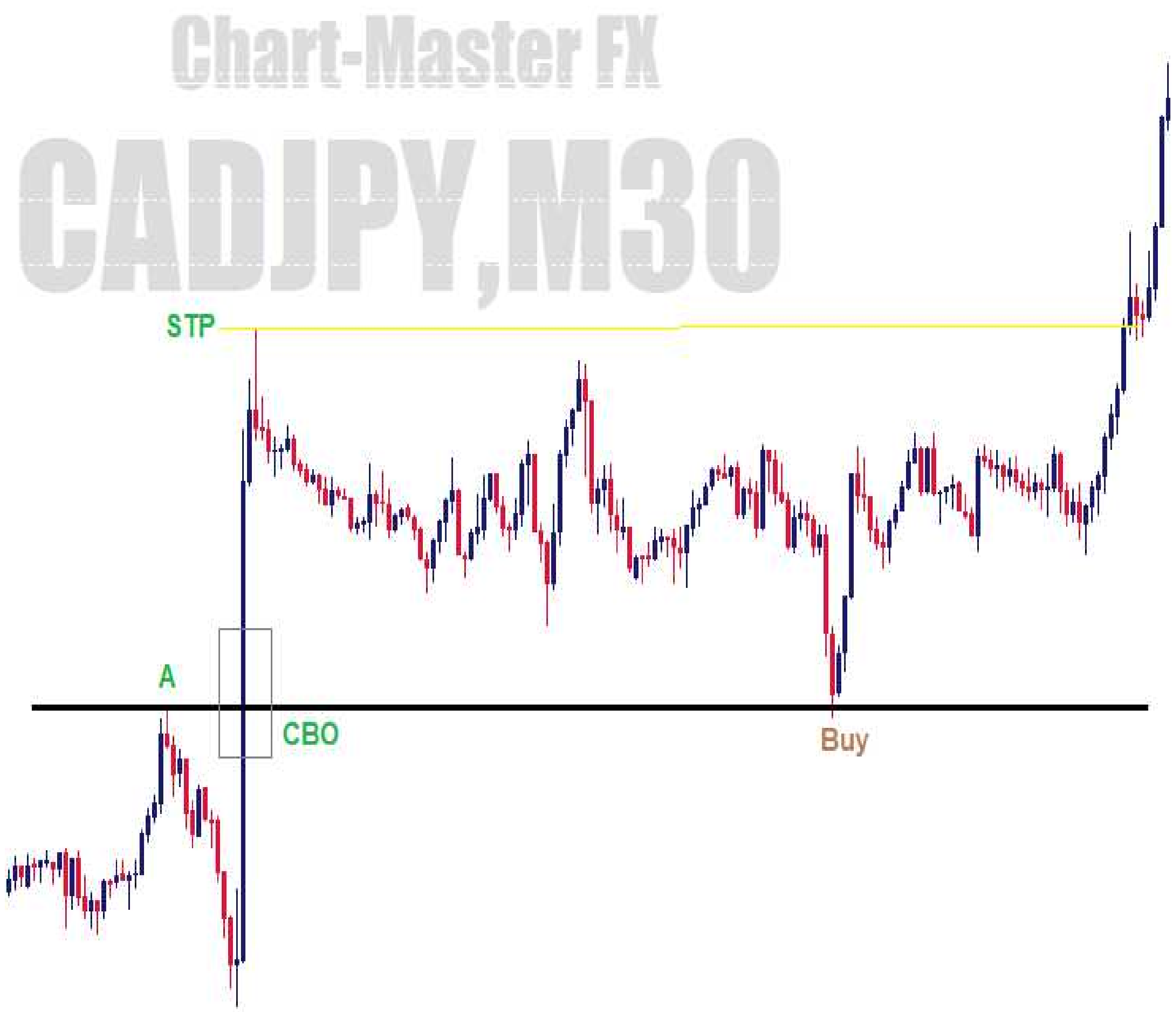
Blind Spot (BS)

Variables: A, Momentum, Marubozu, Clean Breakout.

- **A:** The A is flat, which is a sign of weakness. There is no definite DP.
- **Momentum:** The momentum of price is fairly strong. The price reduced momentum thereafter, which is a sign of weakness.
- **Marubozu:** The Marubozu is valid.
- **Clean Breakout:** The breakout is clean.
- **Trade Classification:** This trade is categorized as a high risk setup (Code 12) since both the sharpness of the A and the momentum of price is questionable.

Blind Spot (BS)

Variables: A, Momentum, Marubozu, Clean Breakout.



- **A:** The A is in the form of shadows and is very sharp. The A is classified as a DJ-DP.
- **Momentum:** The momentum is very strong, almost like a straight line, which is an added advantage.
- **Marubozu:** The Marubozu is valid. The rally is composed of few candles formulated before the price returned to the magic level, which adds extra strength to the setup.
- **Clean Breakout:** The breakout is clean.
- **Trade Classification:** This trade is categorized as a low risk setup (Code 1) since all conditions are met.



Blind Spot (BS)

Variables: A, Momentum, Marubozu, Clean Breakout.

- **A:** The A is in the form of shadows and is flat. The A is classified as BE-DP.
- **Momentum:** The momentum is strong to the upside.
- **Marubozu:** The Marubozu is valid.
- **Clean Breakout:** The breakout is clean.
- **Trade Classification:** This trade is categorized as a medium risk setup (Code 8).



Blind Spot (BS)

Variables: V, Momentum, Marubozu, Clean Breakout.

- **V:** The V is almost like a W sharp, which is still valid. There is no obvious valid DP.
- **Momentum:** The acceleration is very strong to the downside. Almost like a straight line.
- **Marubozu:** The Marubozu is valid.
- **Clean Breakout:** The breakout is clean.
- **Trade Classification:** This trade is categorized as a low risk setup (Code 3).



Blind Spot (BS)

Variables: V, Momentum, Marubozu, Clean Breakout.

- **V:** The V is in the form of a shadow and is very sharp. There is no obvious valid DP.
- **Momentum:** The momentum of price is strong.
- **Marubozu:** The Marubozu is valid.
- **Clean Breakout:** The breakout is clean.
- **Trade Classification:** This trade is categorized as a medium risk setup (Code 4)
- It is evident from the chart that the price attempted to come back to the magic line and missed it with few pipis. This might have weakened the zone.

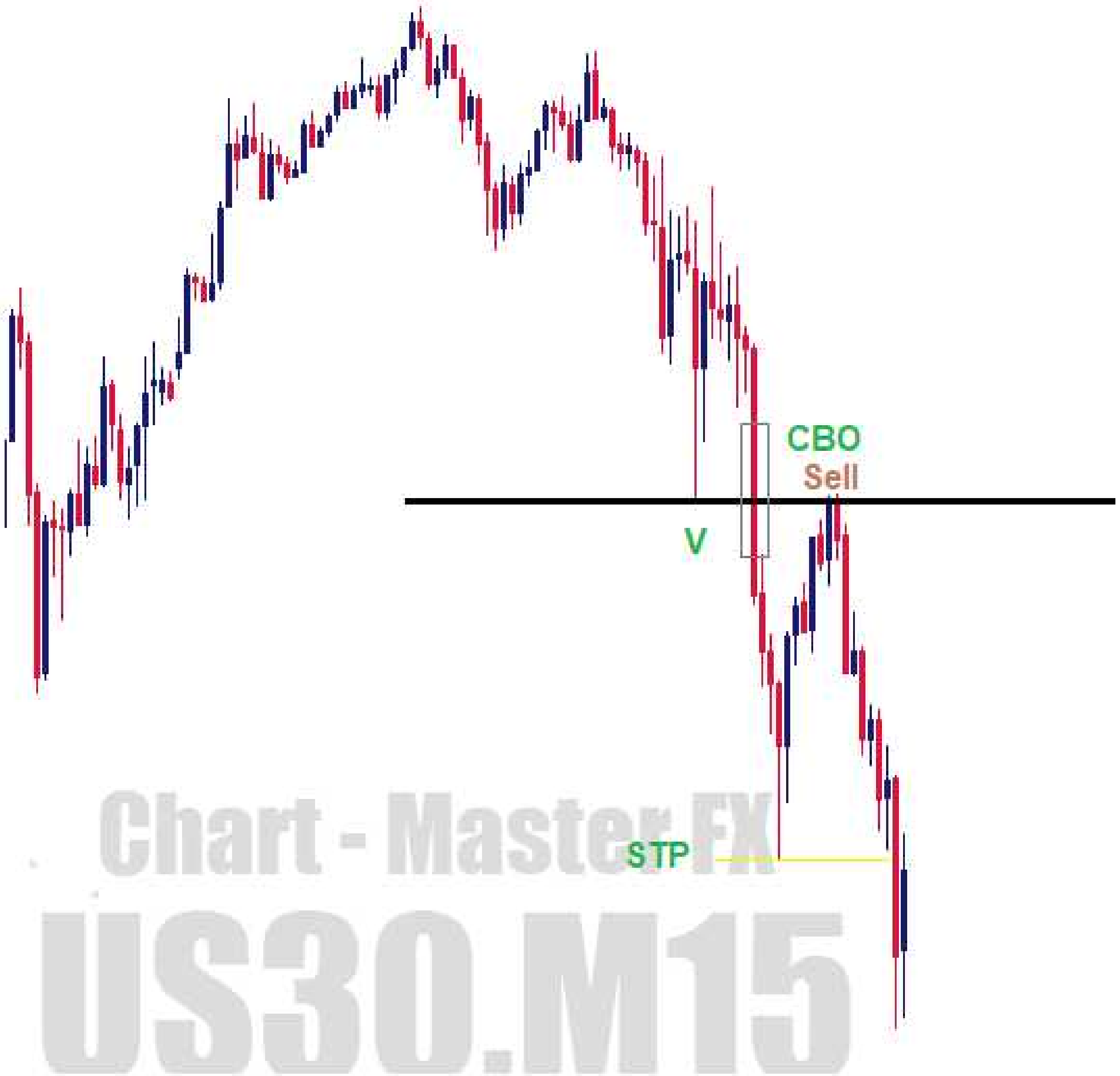


Blind Spot (BS)

Variables: V, Momentum, Marubozu, Clean Breakout.

- **V:** The V is in the form of a W, which is also valid. The W is in the form of wicks and is very sharp on both side. Additionally, there is no clear DP.
- **Momentum:** The momentum is very strong to the downside.
- **Marubozu:** The Marubozu is valid.
- **Clean Breakout:** The breakout is clean.
- **Trade Classification:** This trade is categorized as a low risk setup (Code 3) since all the boxes on the checklist are ticked.

Blind Spot (BS)



Variables: V, Momentum, Marubozu, Clean Breakout.

- **V:** The V is sharp and is a shadow type. There is no valid DP on the V.
- **Momentum:** The momentum is very strong to the downside.
- **Marubozu:** The Marubozu is valid.
- **Clean Breakout:** The breakout is clean.
- **Trade Classification:** This trade is categorized as a low risk setup (Code 2).

Blind Spot (BS)

Variables: V, Momentum, Marubozu, Clean Breakout.



- **V:** The V is in the form of shadows and is classified as flat. The V has a DJ-DP.
- **Momentum:** The momentum is classified as strong.
- **Marubozu:** The Marubozu is valid.
- **Clean Breakout:** The breakout is clean.
- **Trade Classification:** This trade is categorized as a medium risk setup (Code 8) since the momentum variable is questionable.

Blind Spot (BS)



Variables: A, Momentum, Marubozu, Clean Breakout.

- **A:** The A is a body candle type and is sharp. The A is classified as a BE-DP.
- **Momentum:** The momentum is very strong to the upside with just a few candles.
- **Marubozu:** The Marubozu is valid.
- **Clean Breakout:** The breakout is clean.
- **Trade Classification:** This trade is categorized as a low risk setup (Code 1).

Blind Spot (BS)

Variables: V, Momentum, Marubozu, Clean Breakout.



- **V:** The V is in the form of a wick and is very sharp. The V has a valid DJ-DP.
- **Momentum:** The momentum is very strong.
- **Marubozu:** The Marubozu is valid.
- **Clean Breakout:** The breakout is clean.
- **Trade Classification:** This trade is categorized as a low risk setup (Code 1).



Blind Spot (BS)

Variables: V, Momentum, Marubozu, Clean Breakout.

- **V:** The V is in the form of body candles and is very sharp. It has a valid BE-DP.
- **Momentum:** The momentum is very strong.
- **Marubozu:** The Marubozu is valid.
- **Clean Breakout:** The breakout is clean.
- **Trade Classification:** This trade is categorized as a low risk setup (Code 1).



Blind Spot (BS)

Variables: V, Momentum, Marubozu, Clean Breakout.

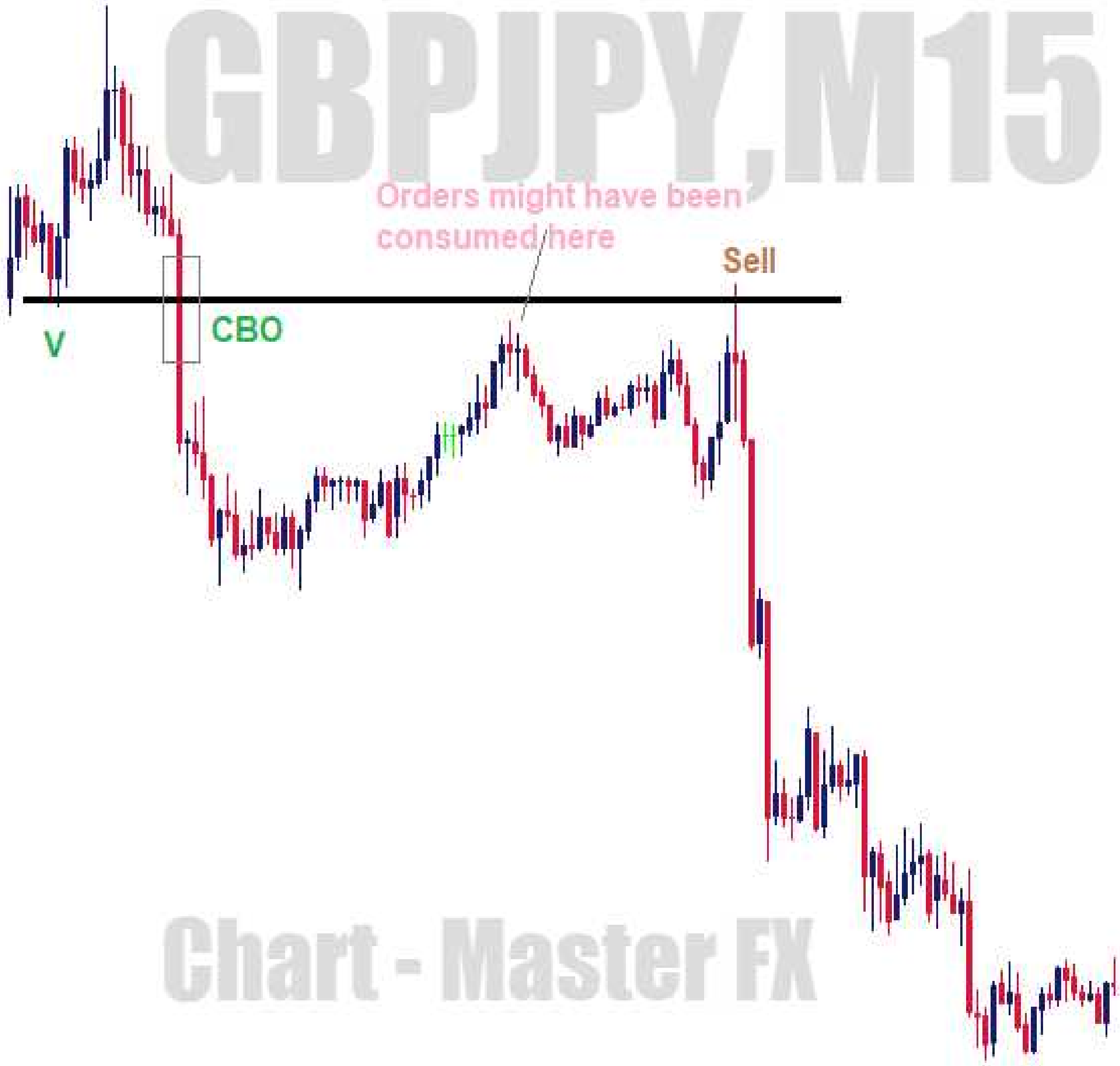
- **V:** The V is in the form of shadows and is very sharp. It has a valid DJ-DP.
- **Momentum:** The momentum is strong.
- **Marubozu:** The Marubozu is valid.
- **Clean Breakout:** The breakout is clean.
- **Trade Classification:** This trade is categorized as a low risk setup (Code 2).

Blind Spot (BS)

Variables: V, Momentum, Marubozu, Clean Breakout.



- **V:** The V is in the form of shadows and is very sharp. The V has a valid BE-DP.
- **Momentum:** The momentum is very strong to the downside.
- **Marubozu:** The Marubozu is valid.
- **Clean Breakout:** There is a clean breakout.
- **Trade Classification:** This trade is categorized as a low risk setup (Code 1).



Blind Spot (BS)

Variables: V, Momentum, Marubozu, Clean Breakout.

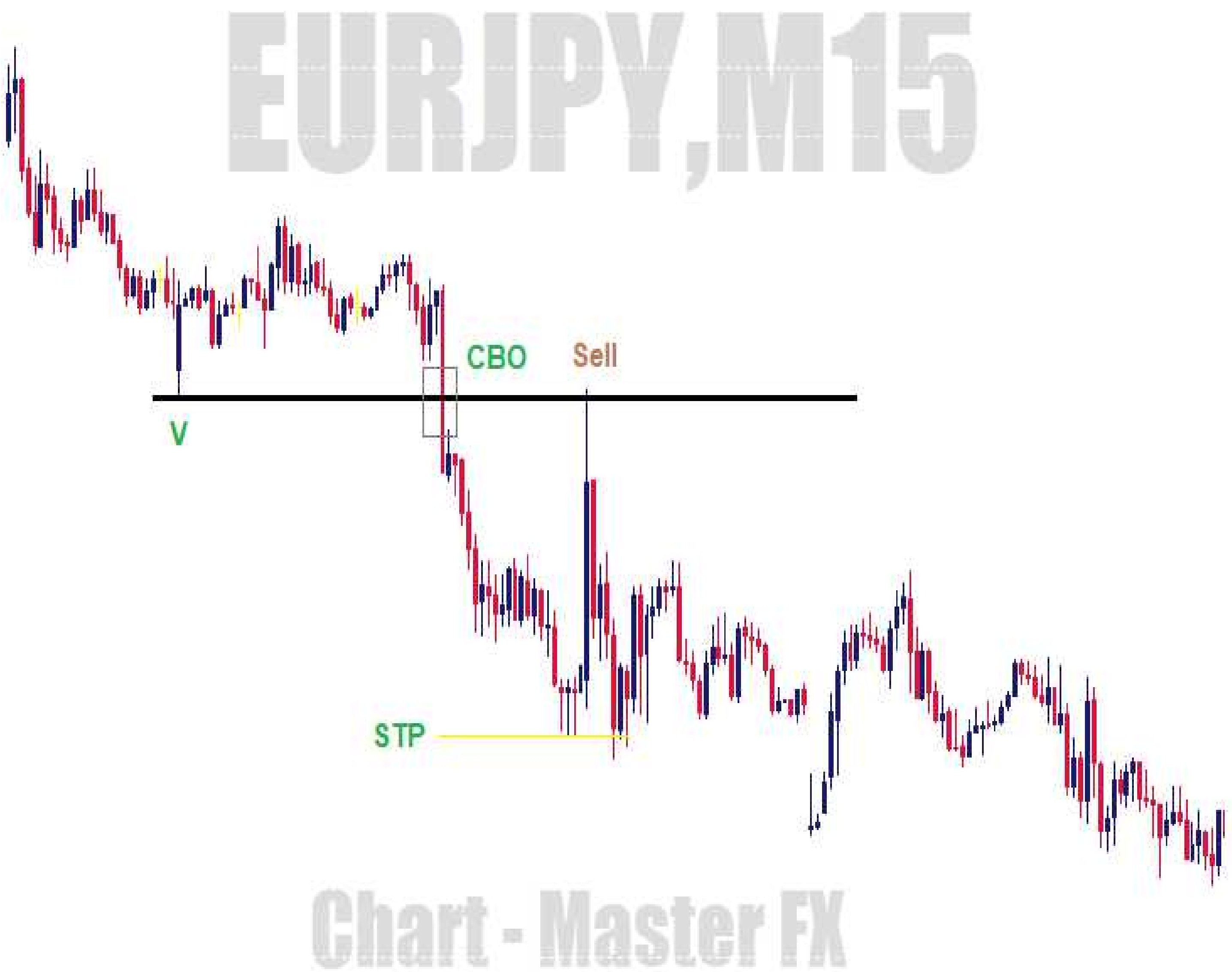
- **V:** The V is in the form of shadows and is sharp. There is no valid DP on the V.
- **Momentum:** The momentum is strong.
- **Marubozu:** The Marubozu is valid.
- **Clean Breakout:** The breakout is clean.
- **Trade Classification:** This trade is categorized as a medium risk setup (Code 4).



Blind Spot (BS)

Variables: A, Momentum, Marubozu, Clean Breakout.

- **A:** The A is in the form of shadows and is sharp. The A does not have a valid DP.
- **Momentum:** The momentum is very strong to the upside.
- **Marubozu:** The Marubozu is valid.
- **Clean Breakout:** The breakout is clean.
- **Trade Classification:** This trade is categorized as a low risk setup (Code 3).



Blind Spot (BS)

Variables: V, Momentum, Marubozu, Clean Breakout.

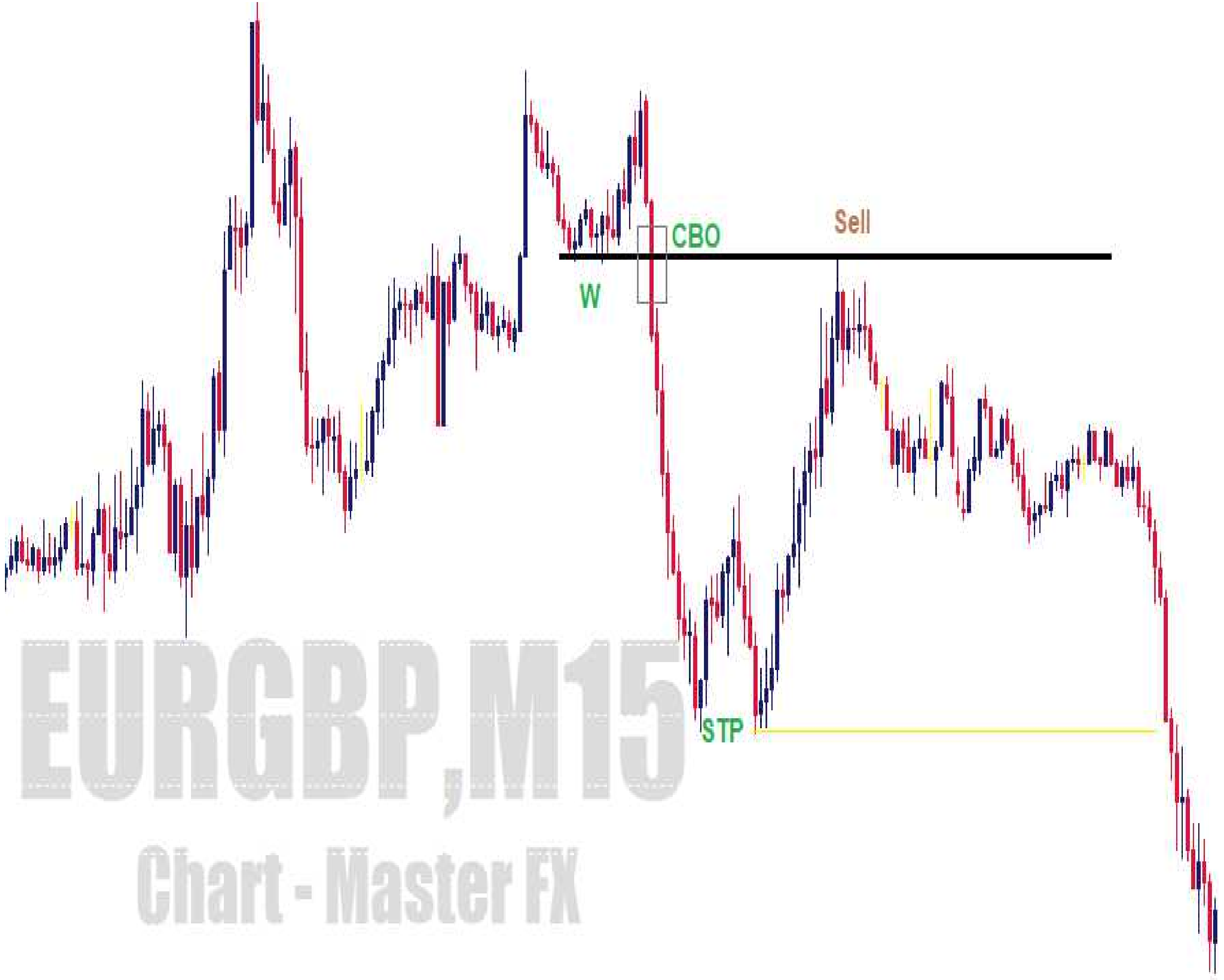
- **V:** The V is a shadow type and is very sharp. There is no valid DP.
- **Momentum:** The momentum is fairly strong to the downside. The price slowed down before coming back to the magic line, which is a sign of weakness.
- **Marubozu:** The Marubozu is valid.
- **Clean Breakout:** The breakout is clean.
- **Trade Classification:** This trade is categorized as a medium risk setup (Code 6).
- The stop loss should be 10 to 20 pips above the magic line as usual.

Blind Spot (BS)

Variables: V, Momentum, Marubozu, Clean Breakout.



- **V:** The V is valid and very sharp. There is no valid DP.
- **Momentum:** The acceleration of price is very strong to the downside.
- **Marubozu:** The Marubozu is valid.
- **Clean Breakout:** The breakout is clean.
- **Trade Classification:** This trade is categorized as a low risk setup (Code 3).
- In this setup, the stop loss might have been hit. The strategy is not a holy grail you will lose some trades.



Blind Spot (BS)

Variables: V, Momentum, Marubozu, Clean Breakout.

- **V:** The V is in the form of a W, which is also another version of the V shape. The W is flat and there is no obvious DP.
- **Momentum:** The momentum is very strong to the downside.
- **Marubozu:** The Marubozu is valid.
- **Clean Breakout:** The breakout is clean.
- **Trade Classification:** This trade is categorized as a medium risk setup (Code 9).



Blind Spot (BS)

Variables: V, Momentum, Marubozu, Clean Breakout.

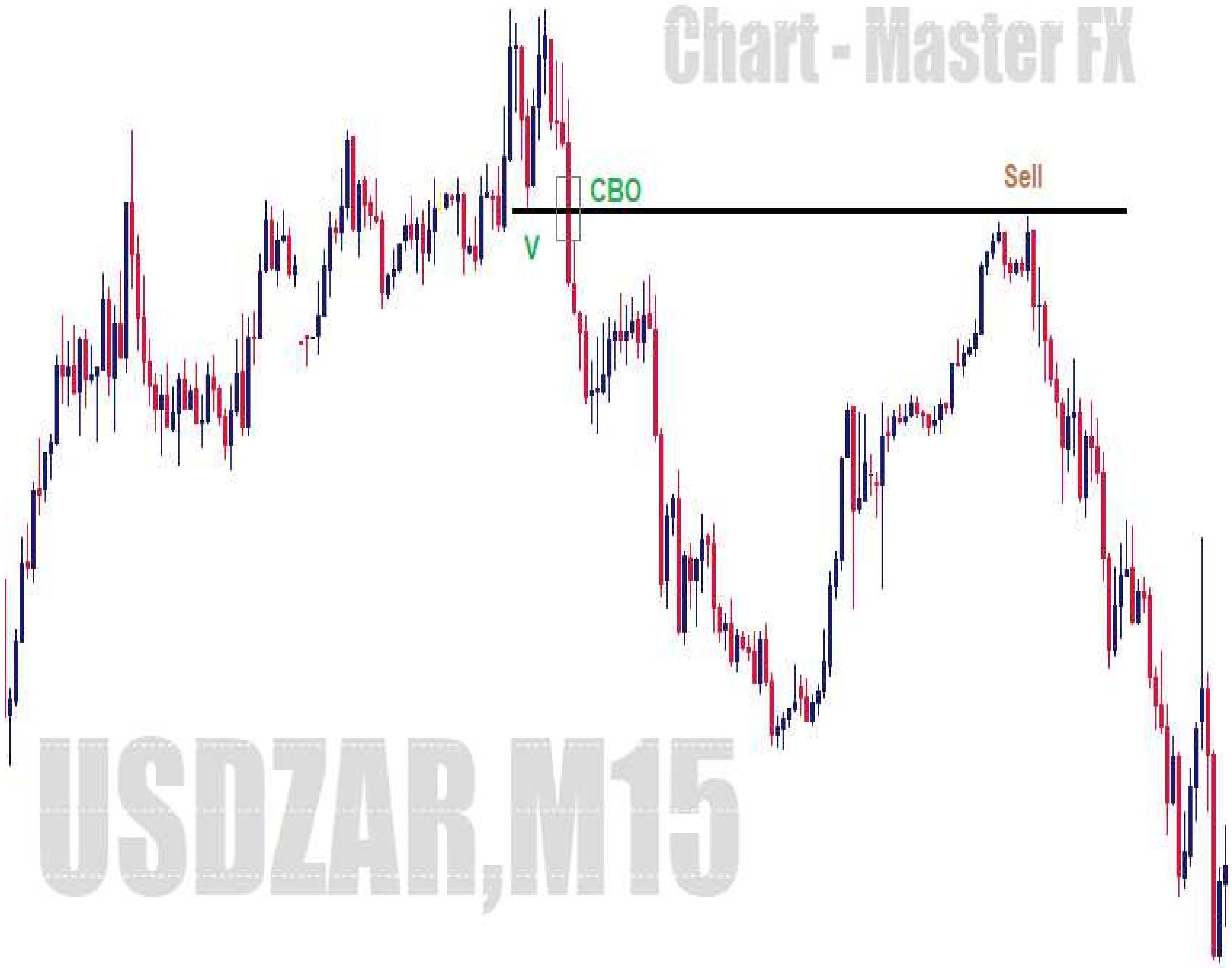
- **V:** The V is in the form of shadows and is very sharp. The DP is not valid.
- **Momentum:** The acceleration of price is very strong.
- **Marubozu:** The Marubozu is valid.
- **Clean Breakout:** The breakout is clean.
- **Trade Classification:** This trade is categorized as a low risk setup (Code 2).

Blind Spot (BS)

Variables: A, Momentum, Marubozu, Clean Breakout.



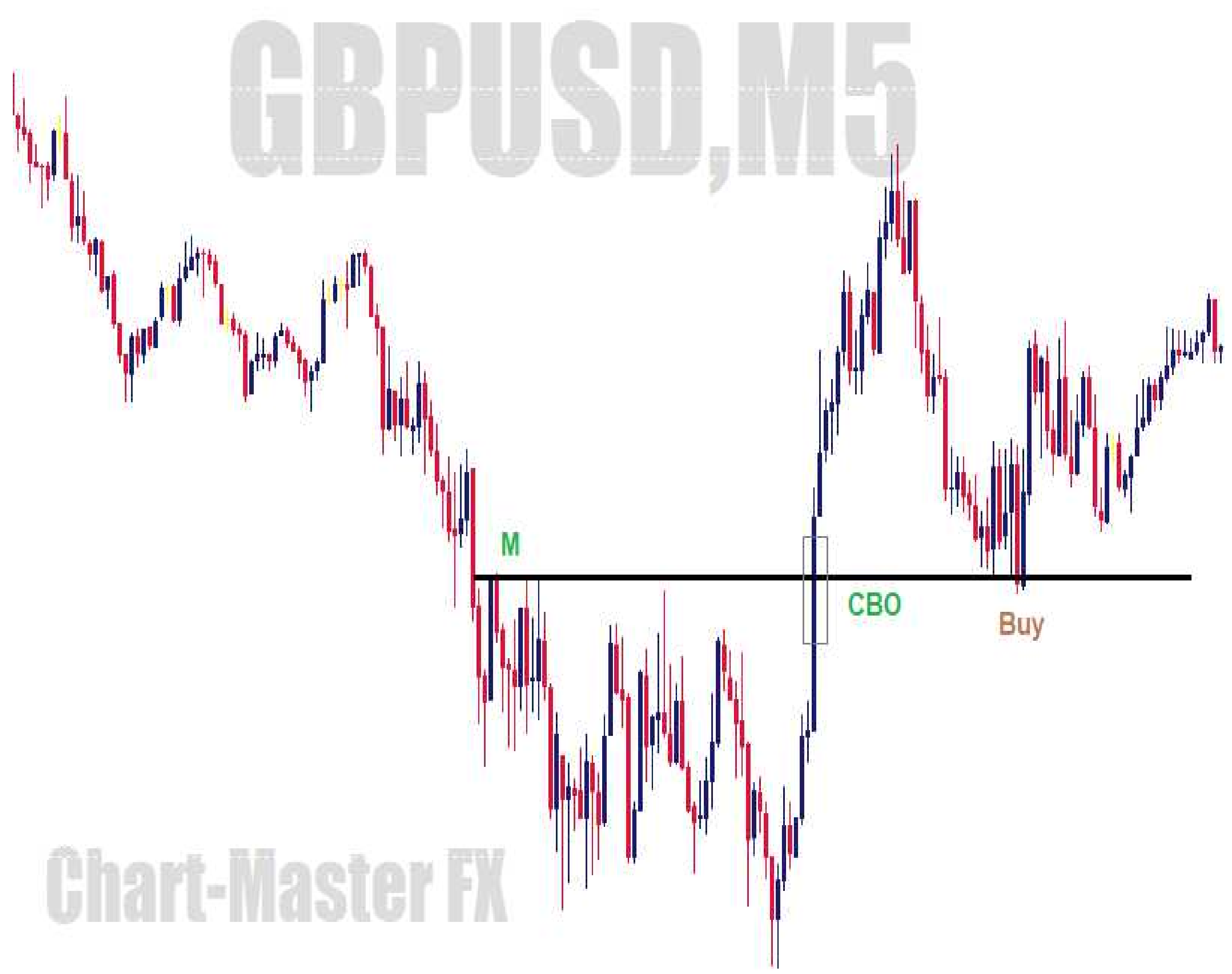
- **A:** The A is in the form of body candles and is flat. There is no definite DP since the A is flat.
- **Momentum:** The momentum is fairly strong to the upside. The price made some pauses on its way up before visiting the zone of interest.
- **Marubozu:** The Marubozu is valid.
- **Clean Breakout:** The breakout is clean.
- **Trade Classification:** This trade is classified as a high risk setup (Code 12).



Blind Spot (BS)

Variables: V, Momentum, Marubozu, Clean Breakout.

- **V:** The V is valid and very sharp. The V is classified as a BE-DP.
- **Momentum:** The momentum is fairly strong to the downside.
- **Marubozu:** The Marubozu is valid.
- **Clean Breakout:** The breakout is clean.
- **Trade Classification:** This trade is classified as a medium risk setup (Code 5) since the momentum of price is questionable.



Blind Spot (BS)

Variables: A, Momentum, Marubozu, Clean Breakout.

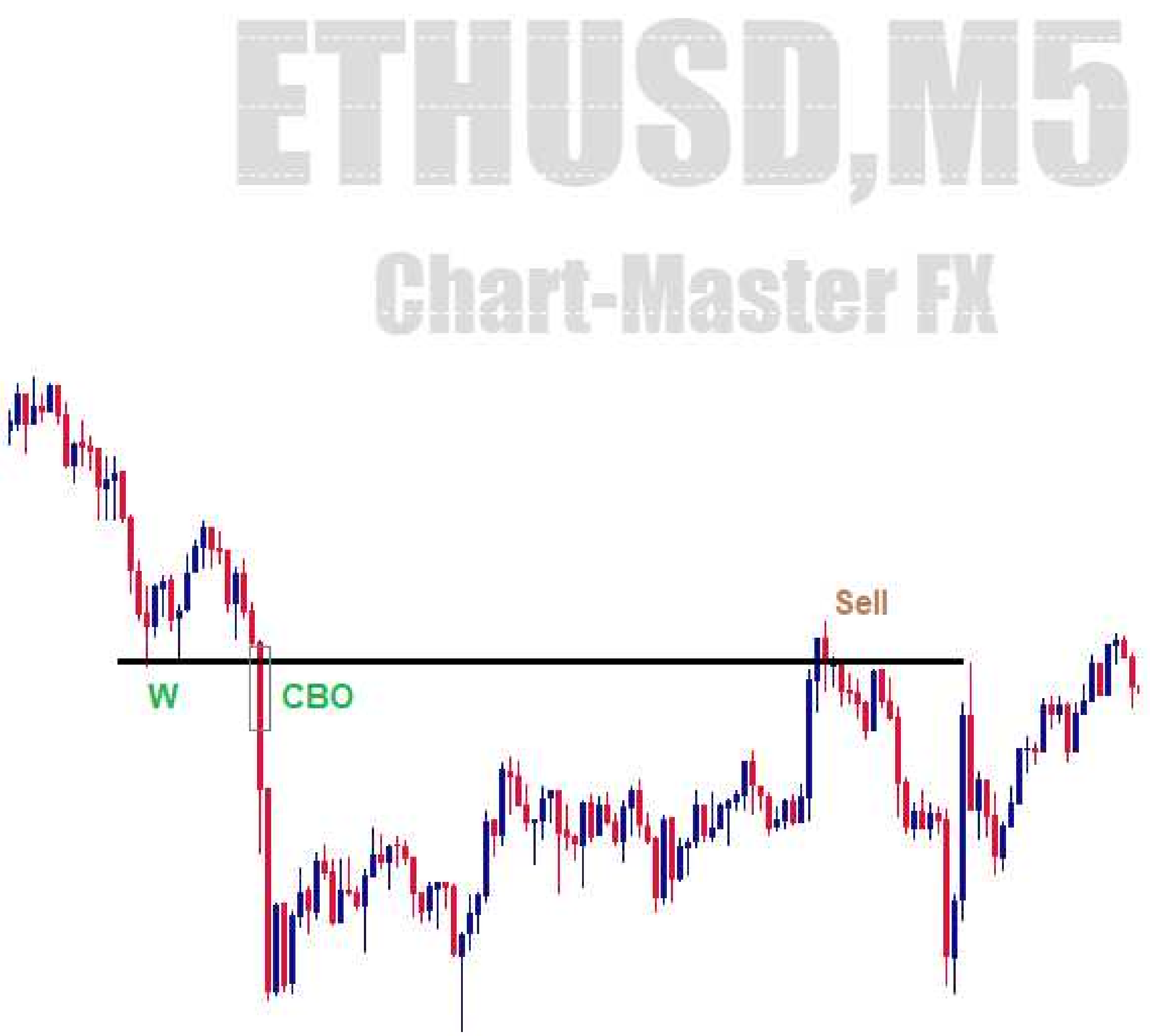
- **A:** The A in this case is in the form of M, which is also another version of A. The M is flat. There is no clear DP on the M version of A.
- **Momentum:** The momentum is strong at the first push. It started to weaken as the price was going upwards. Generally, the momentum is classified as strong.
- **Marubozu:** The Marubozu is valid.
- **Clean Breakout:** The breakout is clean.
- **Trade Classification:** This trade is classified as a high risk setup (Code 11).

Blind Spot (BS)



Variables: V, Momentum, Marubozu, Clean Breakout.

- **V:** The V, in this case, is in a structural form of the letter W. The W is flat and has a valid BE-DP.
- **Momentum:** The acceleration of price to the downside is questionable, which is a sign of weakness. The momentum is classified as strong momentum.
- **Marubozu:** The Marubozu is valid.
- **Clean Breakout:** The breakout is clean.
- **Trade Classification:** This trade is categorized as a medium risk setup (code 8) since it has a questionable momentum to the downside.



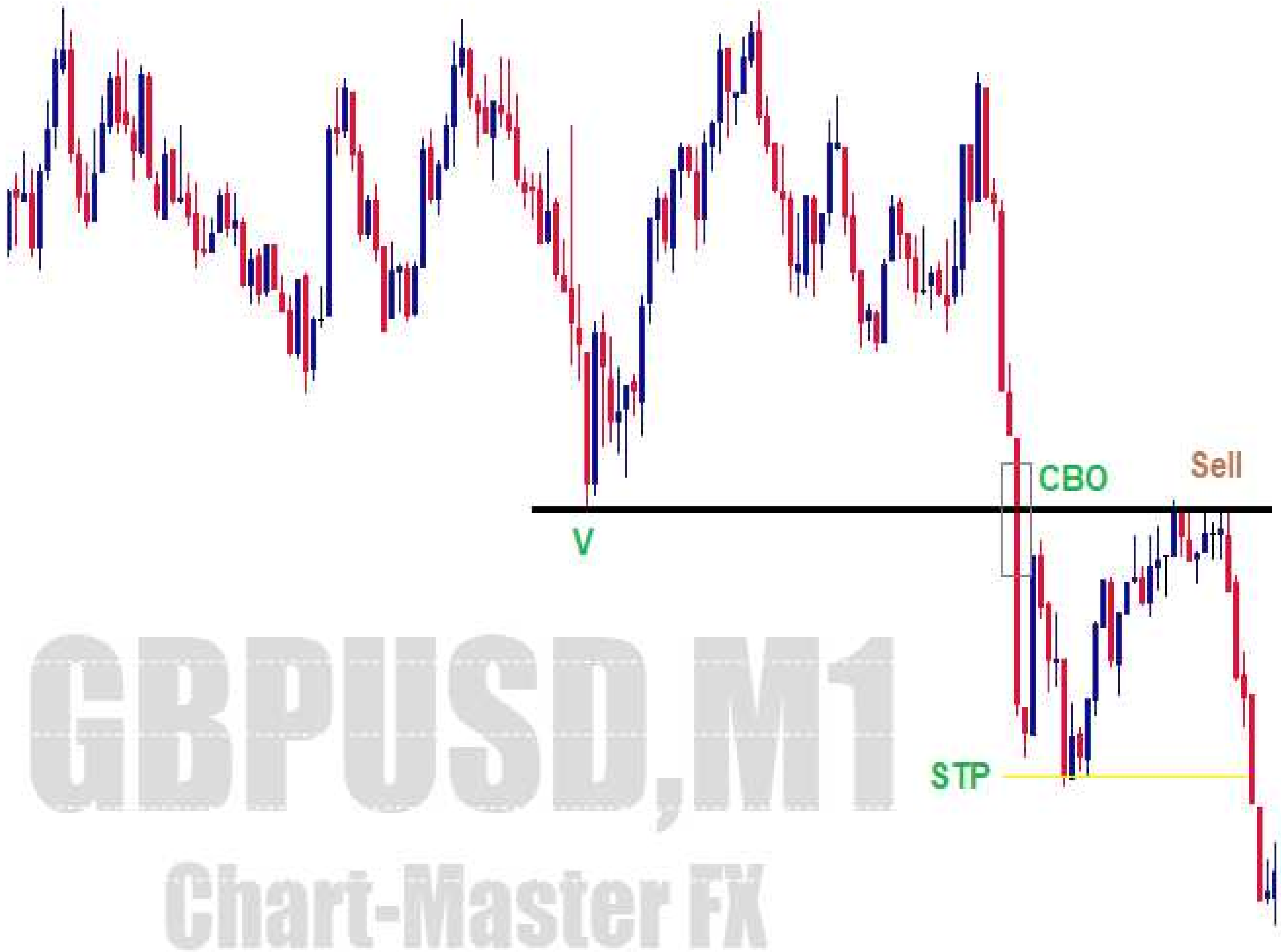
Blind Spot (BS)

Variables: V, Momentum, Marubozu, Clean Breakout.

- **V:** The V is in the form of a W and has wicks. The W is sharp and has a valid BE/DJ – DP.
- **Momentum:** The momentum is very strong.
- **Marubozu:** The Marubozu is valid but questionable since the beginning of the Marubozu candle is almost aligned with the magic line, which might be a sign of weakness.
- **Clean Breakout:** The breakout is no clean.
- **Trade Classification:** The trade is invalidated.

Blind Spot (BS)

Variables: V, Momentum, Marubozu, Clean Breakout.



- **V:** The V is sharp and valid. The V has a valid BE-DP.
- **Momentum:** The momentum is very strong.
- **Marubozu:** The Marubozu is valid.
- **Clean Breakout:** The breakout is clean.
- **Trade Classification:** This trade is categorized as a low risk setup (Code 1) since all the boxes of the checklist are ticked.



Blind Spot (BS)

Variables: V, Momentum, Marubozu, Clean Breakout.

- **V:** The V is in the form of body candles (with no wicks) and is very sharp. There is no valid DP on the V.
- **Momentum:** The momentum is strong with a pause to the downside.
- **Marubozu:** The Marubozu is valid.
- **Clean Breakout:** The breakout is clean.
- **Trade Classification:** This trade is categorized as a low risk setup (Code 2). Although there was a pause to the downside. The acceleration was kept strong during the last drop.

Blind Spot (BS)



Variables: A, Momentum, Marubozu, Clean Breakout.

- **A:** The A is flat and the DP is in the form of a BE-DP.
- **Momentum:** The acceleration of price was good on the first push but slowed down before coming back to the magic line.
- **Marubozu:** The Marubozu is valid. Nevertheless, the origin of the Marubozu candle is nearer to the magic line.
- **Clean Breakout:** The breakout is clean.
- **Trade Classification:** This trade is categorized as a medium risk setup (Code 8).

Blind Spot (BS)



Variables: V, Momentum, Marubozu, Clean Breakout.

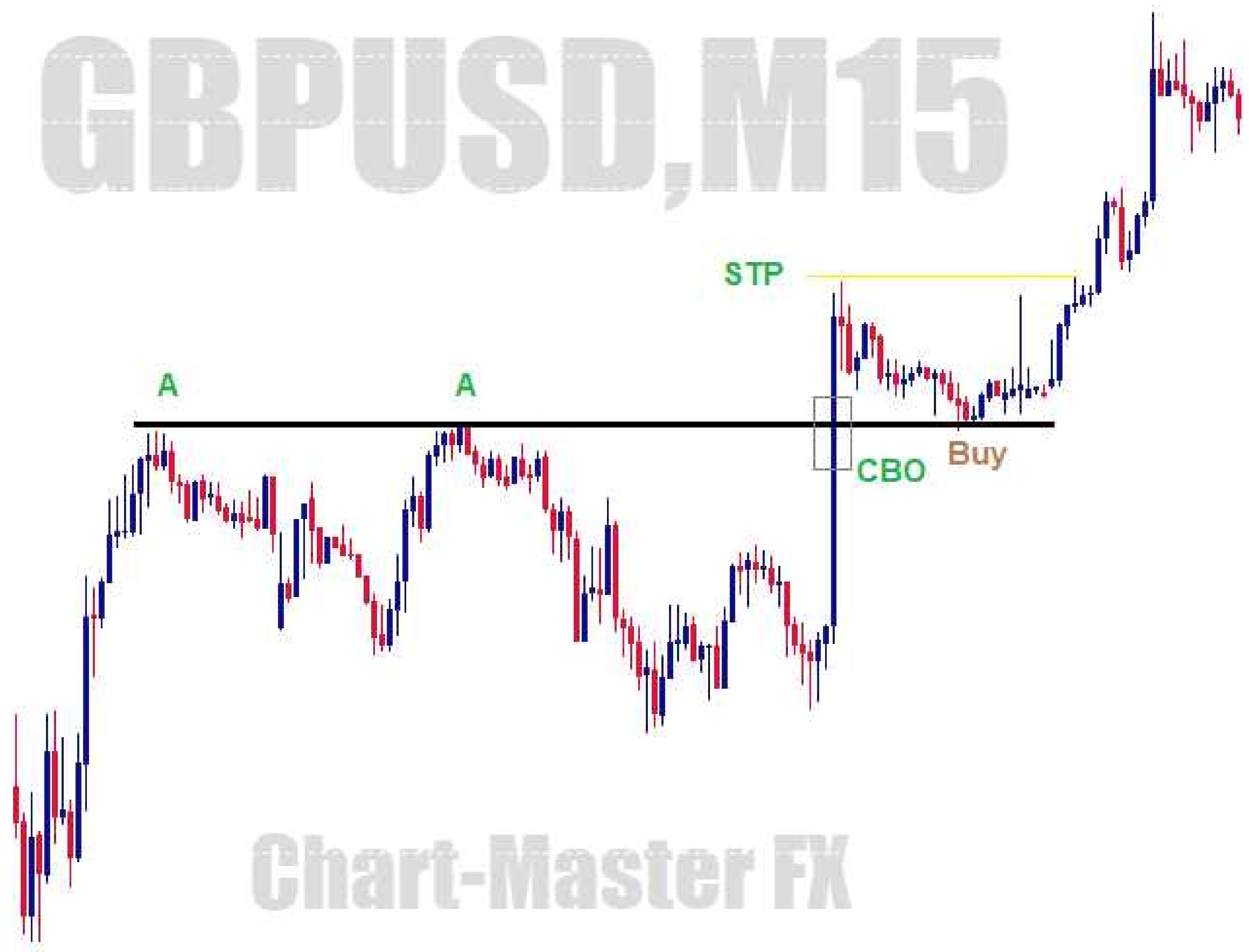
- **V:** The V is in the form of shadows and is classified as flat. There is no valid DP.
- **Momentum:** The momentum is strong, with a single pause which did not disturb the acceleration of the DBD.
- **Marubozu:** The Marubozu is valid.
- **Clean Breakout:** The breakout is clean.
- **Trade Classification:** This trade is categorized as a high risk setup (Code 11).



Blind Spot (BS)

Variables: V, Momentum, Marubozu, Clean Breakout.

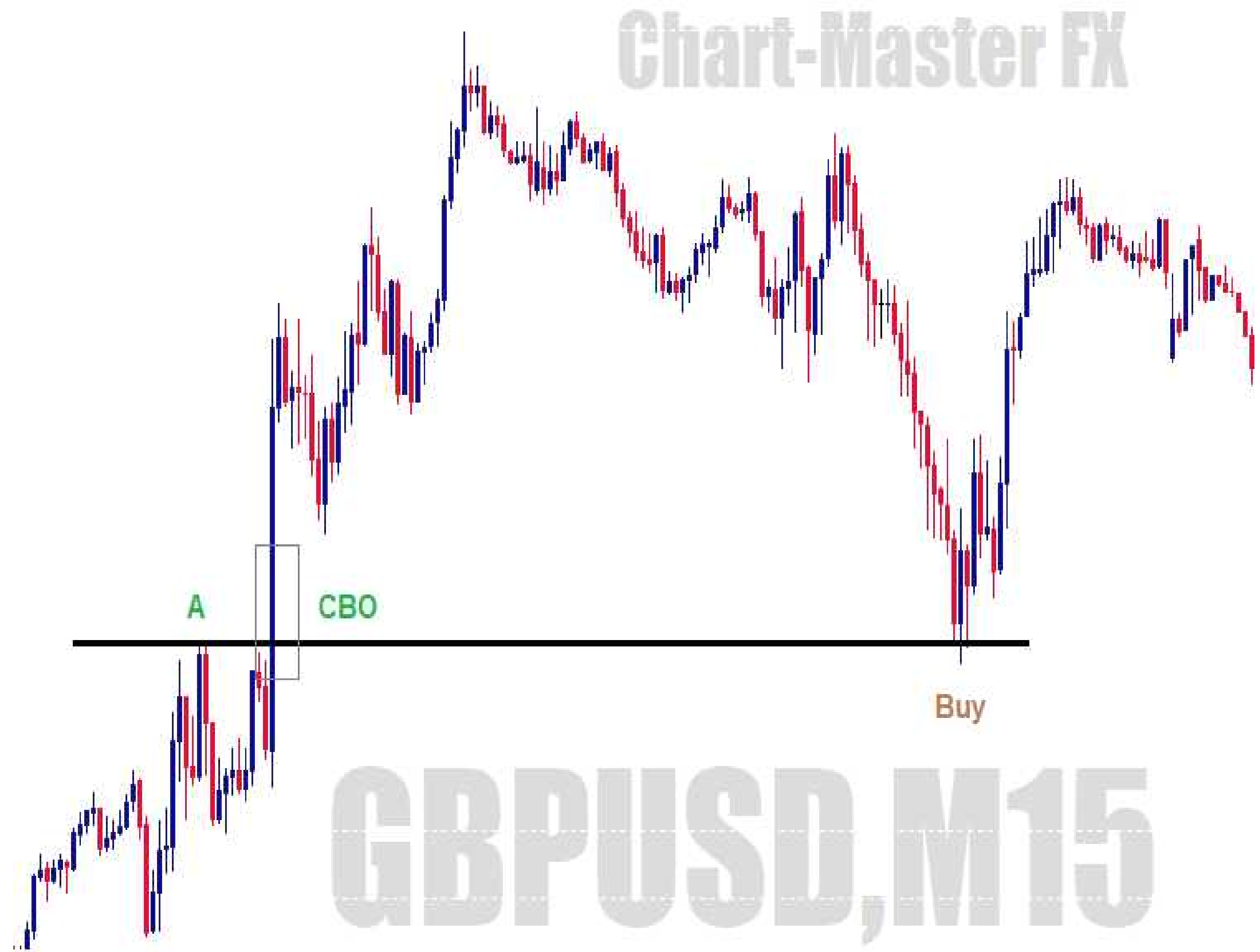
- **V:** The V is sharp but there is no valid DP on the V.
- **Momentum:** The momentum is very strong, almost like a straight line.
- **Marubozu:** The Marubozu is valid.
- **Clean Breakout:** The breakout is clean.
- **Trade Classification:** This trade is categorized as a low risk setup (Code 3).
- The approach of price is slow, which is an extra confluence that the magic line was going to hold the price.



Blind Spot (BS)

Variables: A, Momentum, Marubozu, Clean Breakout.

- **A:** This scenario is considered a special case of the blind spot with two resistance touches. Generally, both 'A's are sharp. Both 'A's have valid BE-DP.
- **Momentum:** The momentum is very strong consisting of only one big candle before retracing to the magic level.
- **Marubozu:** The Marubozu is valid.
- **Clean Breakout:** The breakout is clean.
- **Trade Classification:** This trade is classified as a low risk setup (Code 1).



Blind Spot (BS)

Variables: A, Momentum, Marubozu, Clean Breakout.

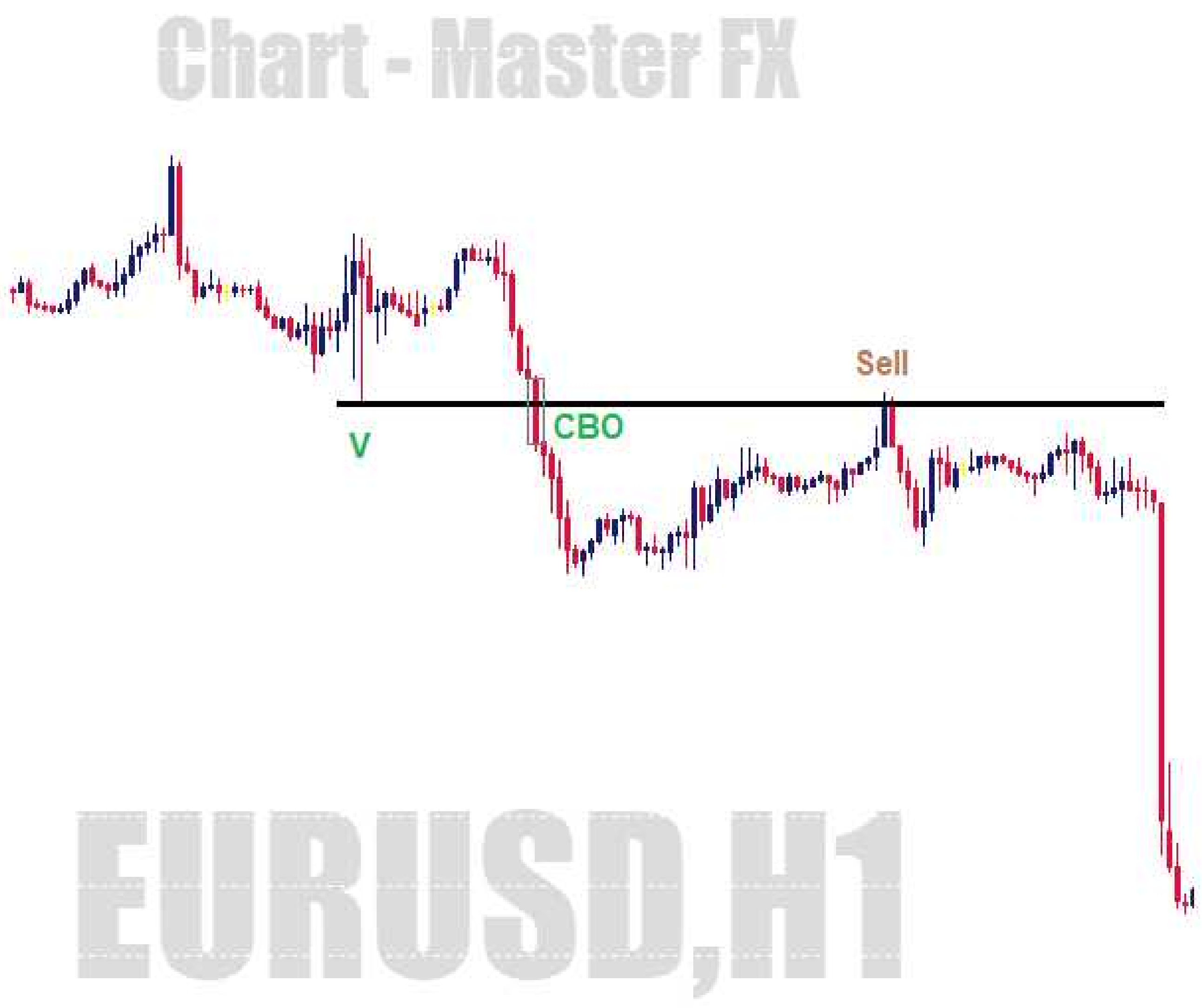
- **A:** The A is in the form of body candles and is sharp. The A has no definite DP.
- **Momentum:** The acceleration is fairly strong.
- **Marubozu:** The price broke the resistance line in the form of a big Marubozu candle.
- **Clean Breakout:** The breakout is clean.
- **Trade Classification:** This trade is categorized as a medium risk trade (Code 6).



Blind Spot (BS)

Variables: V, Momentum, Marubozu, Clean Breakout.

- **V:** The chart presents a special case of V, which is a W. The W is sharp and has a valid BE-DP.
- **Momentum:** The momentum is strong to the downside with just a single pause. The acceleration of the drop base drop was not much disturbed since both rallies maintained the y-axis.
- **Marubozu:** The Marubozu is valid.
- **Clean Breakout:** The breakout is clean.
- **Trade Classification:** This trade is categorized as a low risk setup (Code 2).
- The price approached the zone of interest in the form of compression.



Blind Spot (BS)

Variables: V, Momentum, Marubozu, Clean Breakout.

- **V:** The V is valid and is sharp. The V has no valid DP.
- **Momentum:** The momentum is very strong to the downside.
- **Marubozu:** The Marubozu is valid.
- **Clean Breakout:** The price made a clean breakout.
- **Trade Classification:** This trade is classified as a low risk setup (Code 3) since all the conditions were met.
- The price approached the magic line by compression (weak movement of price).



Blind Spot (BS)

Variables: A, Momentum, Marubozu, Clean Breakout.

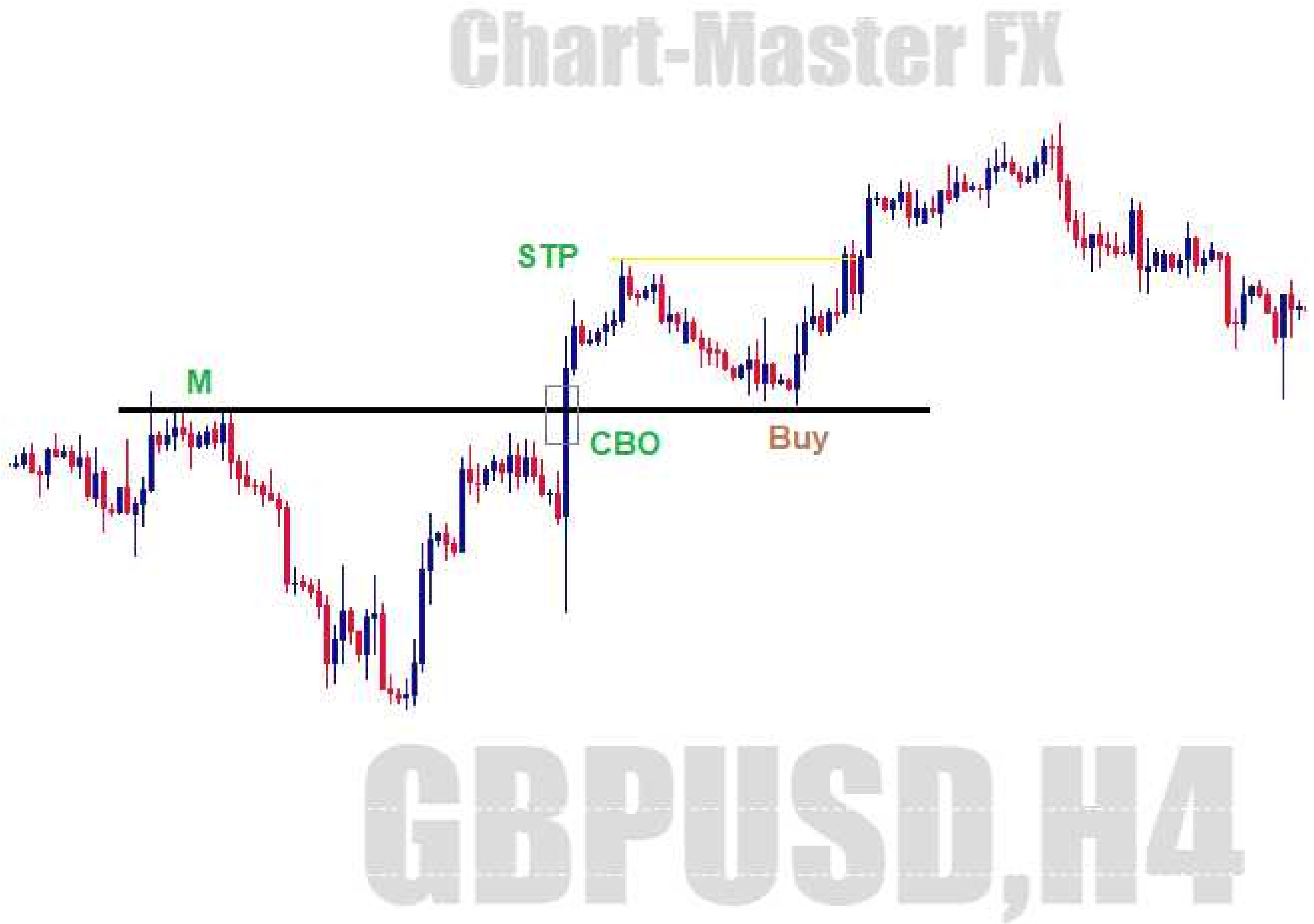
- **A:** The A is valid but flat, which is a sign of weakness. There is no valid DP.
- **Momentum:** The momentum is fairly strong with some pauses.
- **Marubozu:** The Marubozu is valid.
- **Clean Breakout:** The breakout is clean.
- **Trade Classification:** This trade is categorized as a high risk setup (Code 12).

Blind Spot (BS)

Variables: V, Momentum, Marubozu, Clean Breakout.



- **V:** The V is in the form of a shadow and is very sharp. The V has a valid BE-DP.
- **Momentum:** The momentum is very strong and the price managed to do a quick retest to the magic line.
- **Marubozu:** The Marubozu is valid.
- **Clean Breakout:** The breakout is clean.
- **Trade Classification:** This trade is categorized as a low risk setup (Code 1).



Blind Spot (BS)

Variables: A, Momentum, Marubozu, Clean Breakout.

- **A:** The M (a version A) is questionable in this case since it is flat. There is no clear DP on the M.
- **Momentum:** The momentum is strong to the upside.
- **Marubozu:** The Marubozu is valid.
- **Clean Breakout:** The breakout is clean.
- **Trade Classification:** This trade is categorized as a high risk setup (Code 11) since it failed to meet the A standards and momentum rubrics.

Blind Spot (BS)

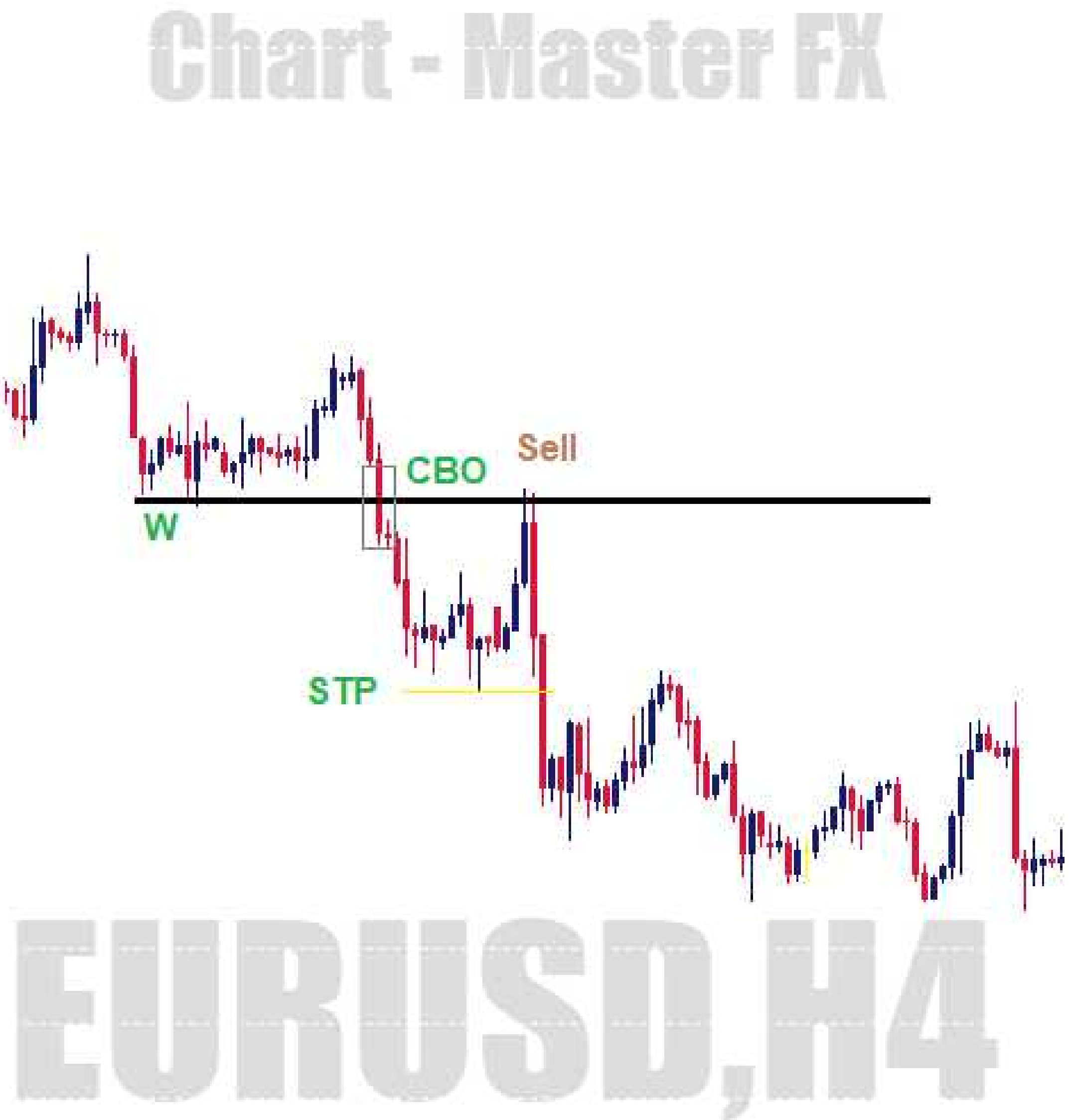
Variables: V, Momentum, Marubozu, Clean Breakout.



- **V:** The V is in the form of shadows. The V is classified as sharp although it might be subjective. There is no valid DP on the V.
- **Momentum:** The momentum is very strong.
- **Marubozu:** The Marubozu is valid.
- **Clean Breakout:** The breakout is clean.
- **Trade Classification:** This trade is categorized as a low risk setup (Code 3).
- The price approached the magic line in the form of compression, which is a good approach to the zone of interest.

Blind Spot (BS)

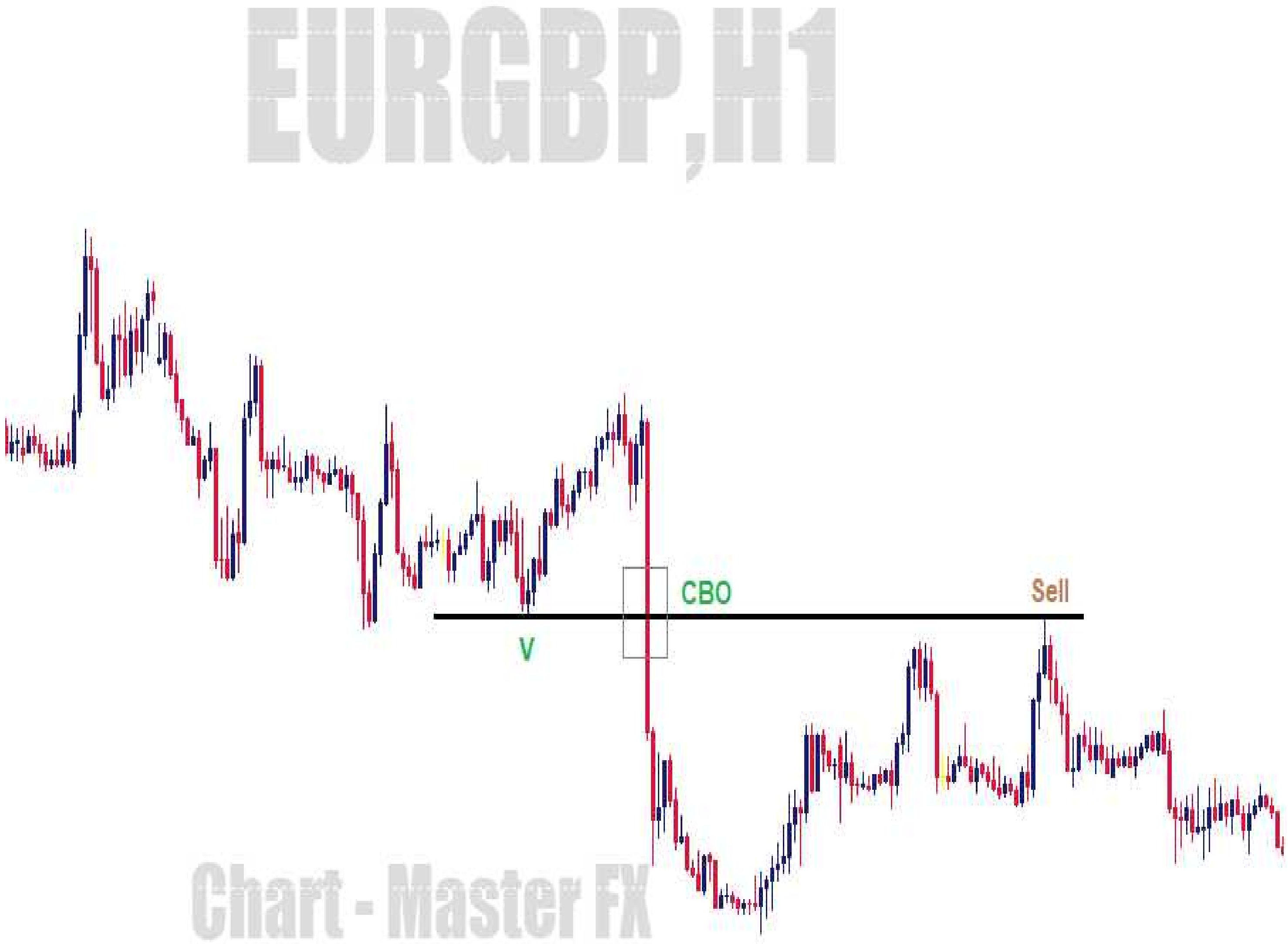
Variables: V, Momentum, Marubozu, Clean Breakout.



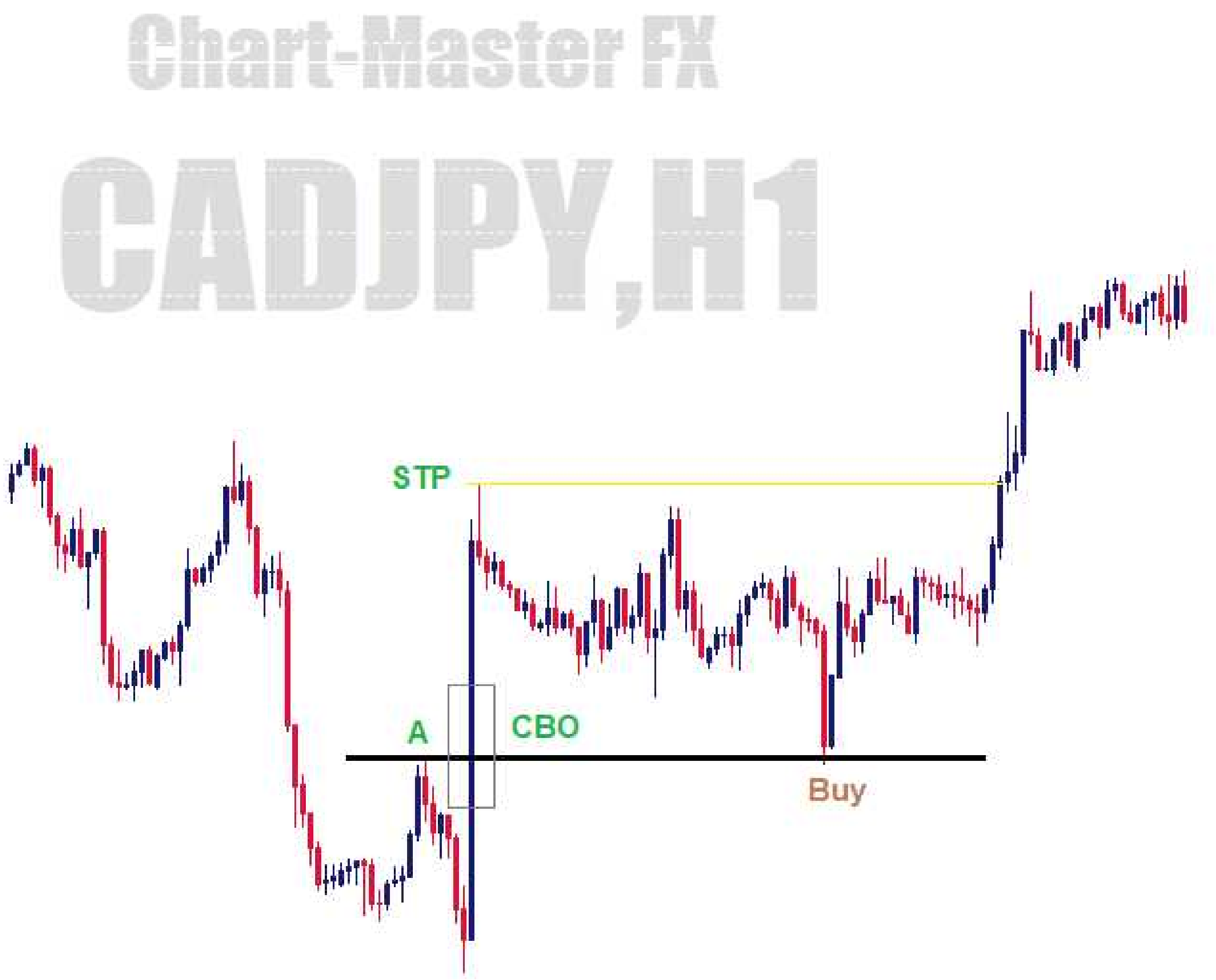
- **V:** The W is flat with a valid DJ/BE-DP.
- **Momentum:** The momentum is strong.
- **Marubozu:** The Marubozu is valid.
- **Clean Breakout:** The breakout is clean.
- **Trade Classification:** This trade is categorized as a medium risk setup (Code 8).
- The price made a quick retrace to the magic line..

Blind Spot (BS)

Variables: V, Momentum, Marubozu, Clean Breakout.



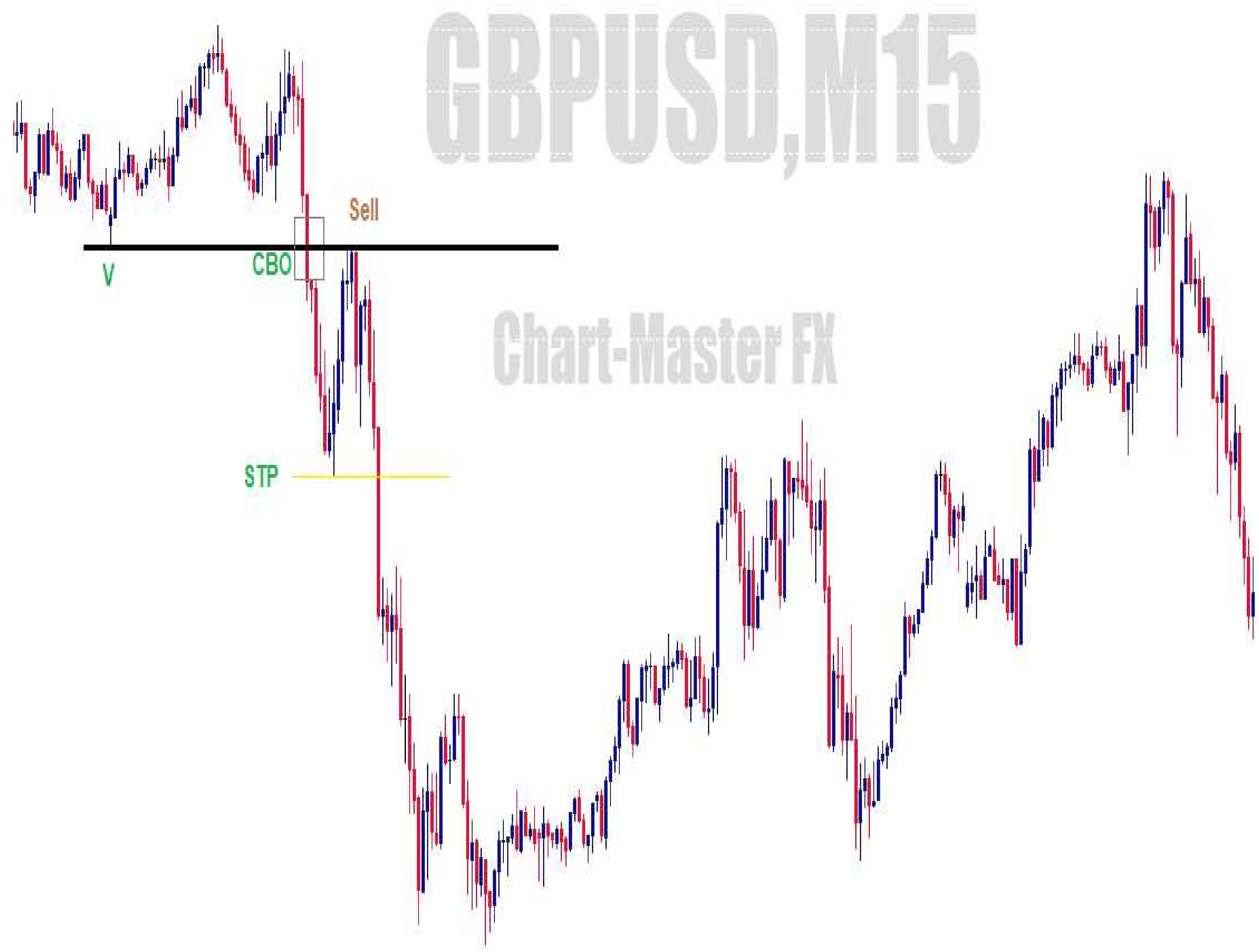
- **V:** The V is valid and very sharp. The V is in the form of a DJ-DP.
- **Momentum:** The momentum of price is strong .It made a small pause before coming back to the magic line.
- **Marubozu:** The Marubozu is valid.
- **Clean Breakout:** The breakout is clean.
- **Trade Classification:** This trade is categorized as a low risk setup (Code 2).
- Always put your stop loss 10-20 pips above the magic line.



Blind Spot (BS)

Variables: A, Momentum, Marubozu, Clean Breakout.

- **A:** The A is in the form of body candles and is sharp. There is no valid DP.
- **Momentum:** The momentum is very strong to the upside.
- **Marubozu:** The Marubozu is big and covered the whole pole (rally).
- **Clean Breakout:** The breakout is clean.
- **Trade Classification:** This trade is categorized as a low risk setup (Code 3) since it meets all the standards.



Blind Spot (BS)

Variables: V, Momentum, Marubozu, Clean Breakout.

- **V:** The V is in the form of a wick and is very sharp. There is a valid DJ-DP.
- **Momentum:** The momentum is very strong with no pauses.
- **Marubozu:** The Marubozu is valid.
- **Clean Breakout:** The breakout is clean.
- **Trade Classification:** This trade is categorized as a low risk setup (Code 1).
- The price made a quick retrace to the magic line.

Blind Spot (BS)

Variables: V, Momentum, Marubozu, Clean Breakout.



- **V:** The V is in the form of a shadow and is very sharp. The V has a valid BE-DP.
- **Momentum:** The momentum is very strong (straight pole).
- **Marubozu:** The Marubozu is valid.
- **Clean Breakout:** The price made a clean breakout.
- **Trade Classification:** This trade is classified as a low risk setup (Code 1).
- The stop loss should be 10 to 20 pips above the magic line.

Blind Spot (BS)



Variables: V, Momentum, Marubozu, Clean Breakout.

- **V:** The V formed is valid and has body candles. The V is sharp but there is no valid DP.
- **Momentum:** The acceleration is fairly strong.
- **Marubozu:** The Marubozu is valid.
- **Clean Breakout:** The breakout is clean indeed.
- **Trade Classification:** Considering the variable characteristics, we can classify this trade as a medium risk trade (Code 6).



Chapter Two [NFL]

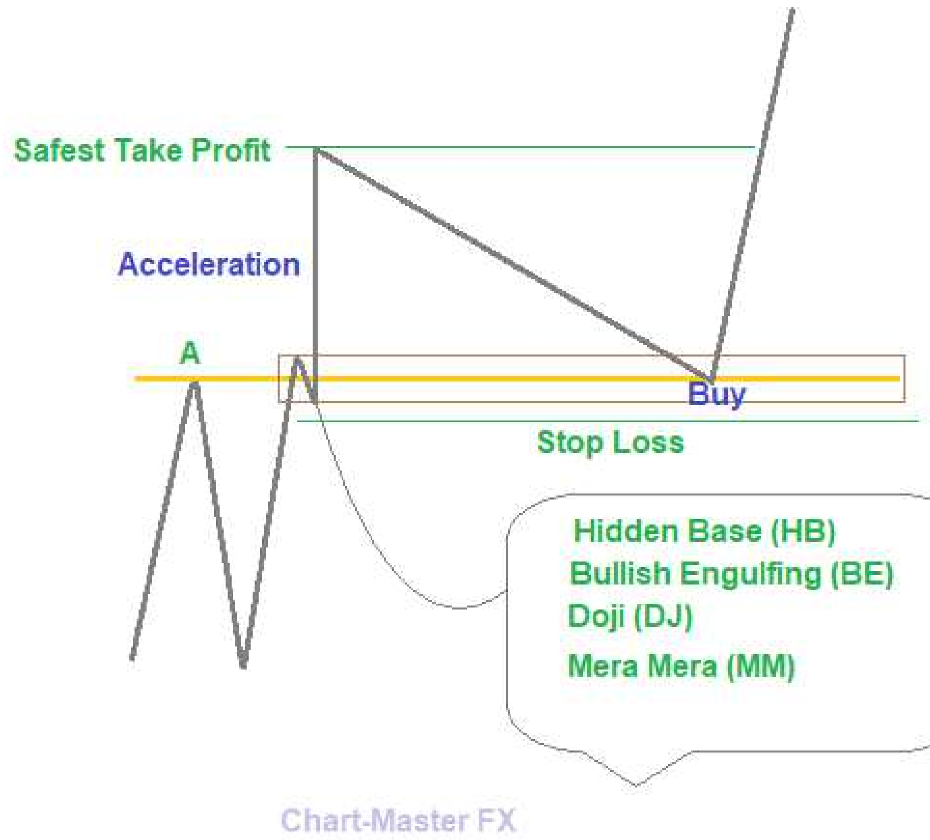
Narrow Flag Limit

Narrow Flag Limit

Buy Anatomy

As shown in the diagrammatic representation of the NFL. The variables to take into consideration for a buy setup are acceleration, kink, and A.

As the price creates a high (RBD). Draw the resistance line extending it to the right. The price should then break the line and retraces to the downside before going upwards. The reaction that occurs along the line is called a kink. The kink can be in the form of a hidden base, bullish engulfing, Doji or Mera Mera. The stop loss should be 10 to 20 pips below the magic line.

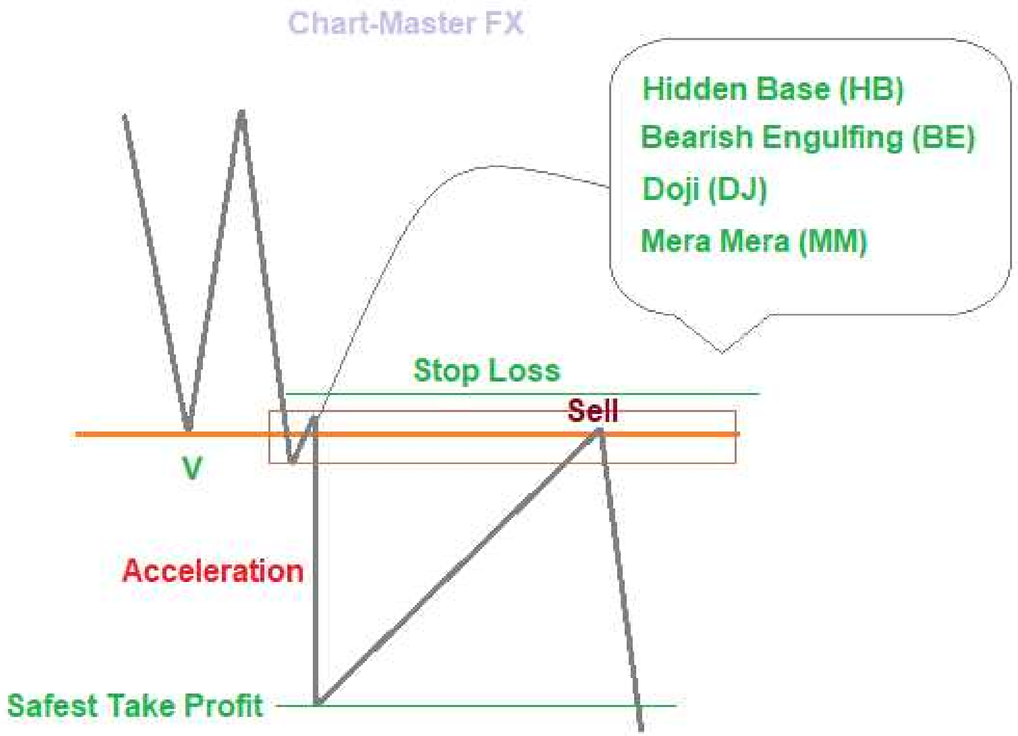


Narrow Flag Limit

Sell Anatomy

The sell anatomy is just the opposite of the buy anatomy. The important variables in this sell setup are comprised of acceleration, kink, and the V.

As the price creates a low. Mark the support line and extend it to the right. The price should make a DBD. The DBD kink should be in the form of a hidden base, bearish engulfing, Doji or Mera Mera.



Narrow Flag Limit SWOT Analysis

NFL Strengths	NFL Weaknesses
• This strategy has a predetermined level to put the stop loss. • The setup has a valid decision point (HB, BE, DJ, MM). • There is only one possible entry zone, which makes it easy to identify.	• The entry level is a zone not a line. Hence, it is not a touch trade setup.

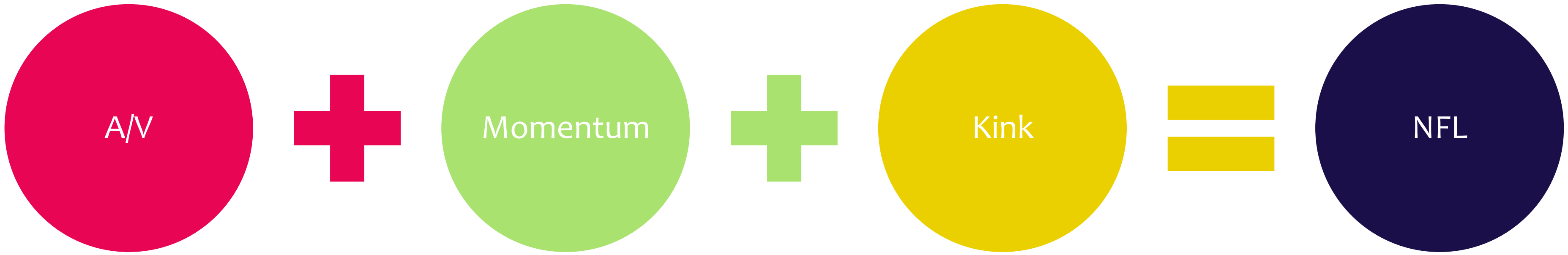
Narrow Flag Limit Commandments

Rubrics	Elucidations
• There should be a sharp V for a sell setup, and a sharp A for a buy setup. • The price should make a reaction as it breaks the resistance or support line. As a result, the price creates an RBR or a DBD. • The reaction should be in the form of a hidden base, bullish/bearish engulfing, Doji or Mera Mera. • The momentum of the RBR or DBD should be strong.	• The retracement that occurs immediately after the creation of an RBR or DBD is more effective than the one that visit the zone of interest after a long time. • The price may come back to the kink of interest and misses the entry by a few pips. In this case, the orders might have been taken already.

Narrow Flag Limit Variables

Variables

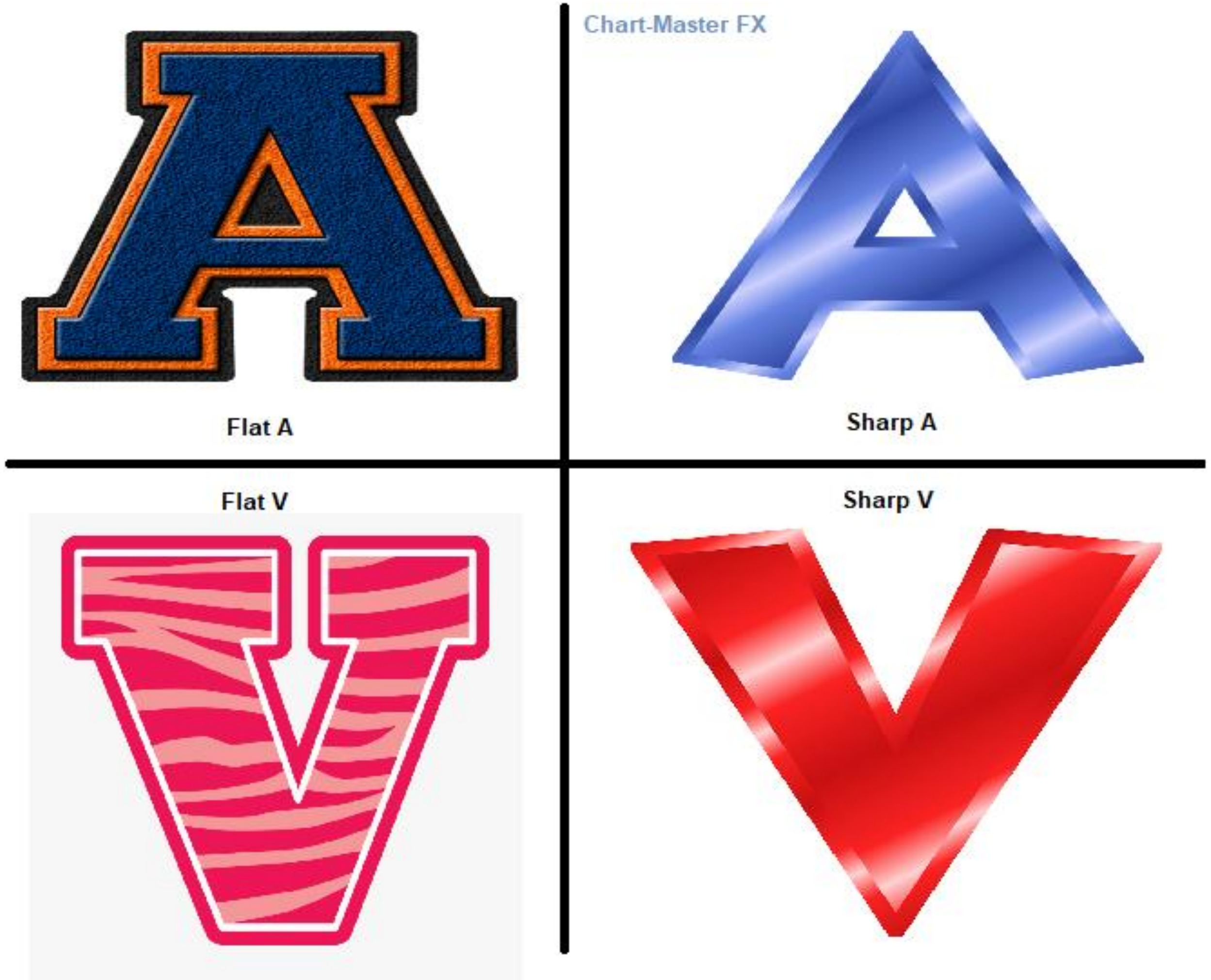
There are generally three variables to consider when classifying a trade.
The variables are A/V, Momentum, and Kink.



A/V

A/V: The V is used when trading a Sell Setup while A is used for a Buy Setup. The W is also another version of V whereas M is another version of A. The variable A/V can be categorized as flat or sharp. An A/V that is sharp is more preferred than an A/V that is flat.

The A/V can be in the form of wicks or body candles. It is also important to classify the A or V in the form of BE, DJ, and MM. An A/V that has a valid DP is more preferred over the one without.

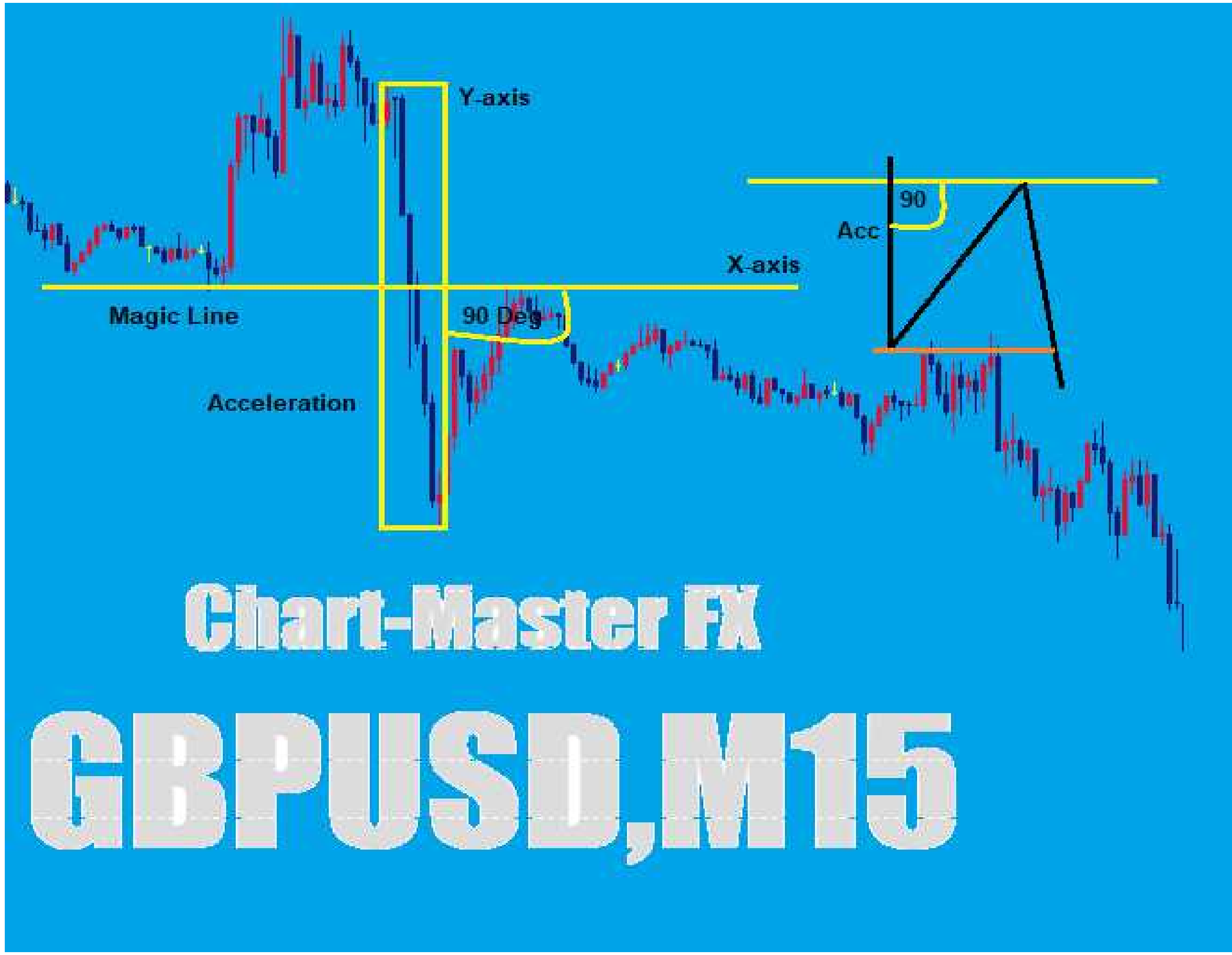


Momentum Variable

Momentum

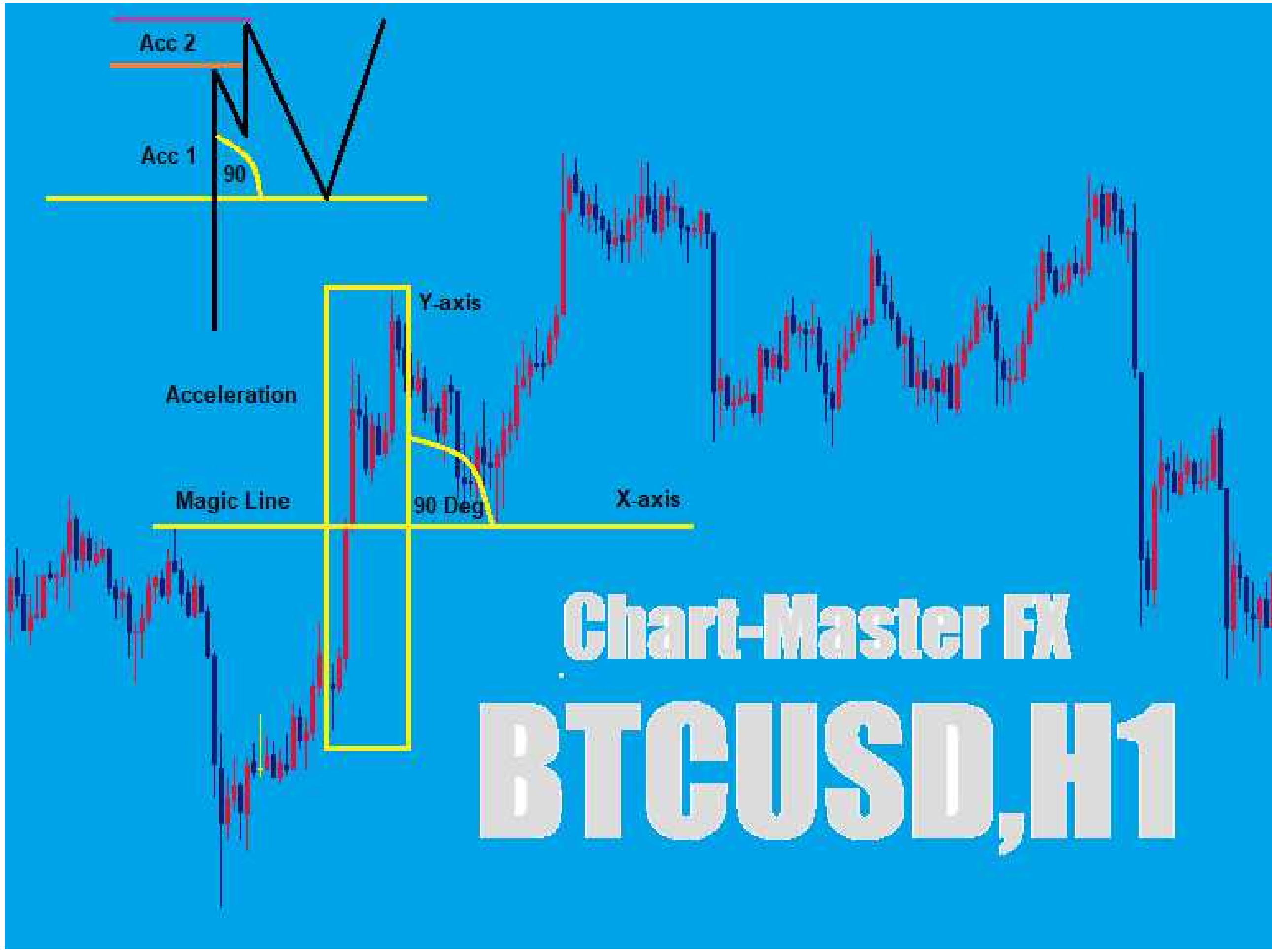
Momentum is another important variable to consider when trading the blind spot SOP. The price should be having strong momentum as it breaks the support/resistance of interest. The acceleration of price should look like a vertical line (straight line, 90 degrees).

Imagine momentum as a Cartesian plan with the X and Y-axis. That is the ideal scenario to look for in the market. Where the X-axis is the magic line and the Y-axis is the momentum of price.



Momentum

This type of momentum is also worthy of consideration. The momentum is divided into Acc1 and Acc2. This type of momentum is categorized as ‘strong’.



Kink Variable

Kink

Kink: There are four different types of kinks namely the hidden base (HB), bearish/bullish engulfing(BE), Doji (DJ), and the Mera Mera (MM). These decision points have been discussed in detail in the introductory section.

A kink is only considered valid if it is a reaction of a support or resistance line.

Classification Algorithm

A/V Factors:
(1) Sharp A/V (SAV), Flat A/V (FAV)
.
(2) A/V candle type (BE, DJ, MM) (Yes, No).
(3) V/A Body Candle, Wick Candle.

Momentum Factors: Very Strong (VS), Strong (S) and Fairly Strong (FS).

Kink: Valid Kink (VK) (HB/BE/DJ/MM) (Yes). Invalid Kink (No).

TC = Trade Classification.

	1	2	3	4	5	6	7	8	9	10	11	12
A/V	SAV/ Yes	SAV/ Yes	SAV/ No	SAV/ No	FAV/ Yes	FAV/ Yes	FAV/ No	FVA/ No	SAV/ Yes	SAV/ No	FAV/ Yes	FAV/ No
MM	VS	S	VS	S	VS	S	VS	S	FS	FS	FS	FS
Kink	VK	VK	VK	VK	VK	VK	VK	VK	VK	VK	VK	VK
TC	Low Risk	Low Risk	Low Risk	Low Risk	Mid Risk	Mid Risk	Mid Risk	Mid Risk	High Risk	High Risk	High Risk	High Risk

Classification Description

Low Risk

The kink variable is static in this SOP. This implies that the trade can only be taken if there is a valid kink (HB, BE, DY, MM). As shown on the classification algorithm. A setup can be considered to be a low risk trade if;

(a) It has a sharp A/V with a valid DP (BE, DJ, MM) on the A/V, and a very strong momentum (Code 1).

(b) It has a sharp A/V with a valid DP (BE, DJ, MM), and strong momentum (Code 2).

(c) It has a sharp V/A with an invalid DP (BE, DJ, MM), and a very strong momentum (Code 3).

(d) It has a sharp V/A with an invalid DP (BE, DJ, MM) and strong momentum (Code 4).

Medium Risk

Letting the variable kink constant. A trade can be classified as a medium risk trade if;

(a) It has a flat A/V with a valid DP and a very strong momentum (Code 5).

(b) It has a flat A/V with a valid DP and strong momentum (Code 6).

(c) It has a flat A/V with no valid DP and a very strong momentum (Code 7).

(d) It has a Flat A/V with a invalid DP and strong momentum (Code 8).

High Risk

Keeping the variable kink constant. A trade can be classified as a high risk trade if;

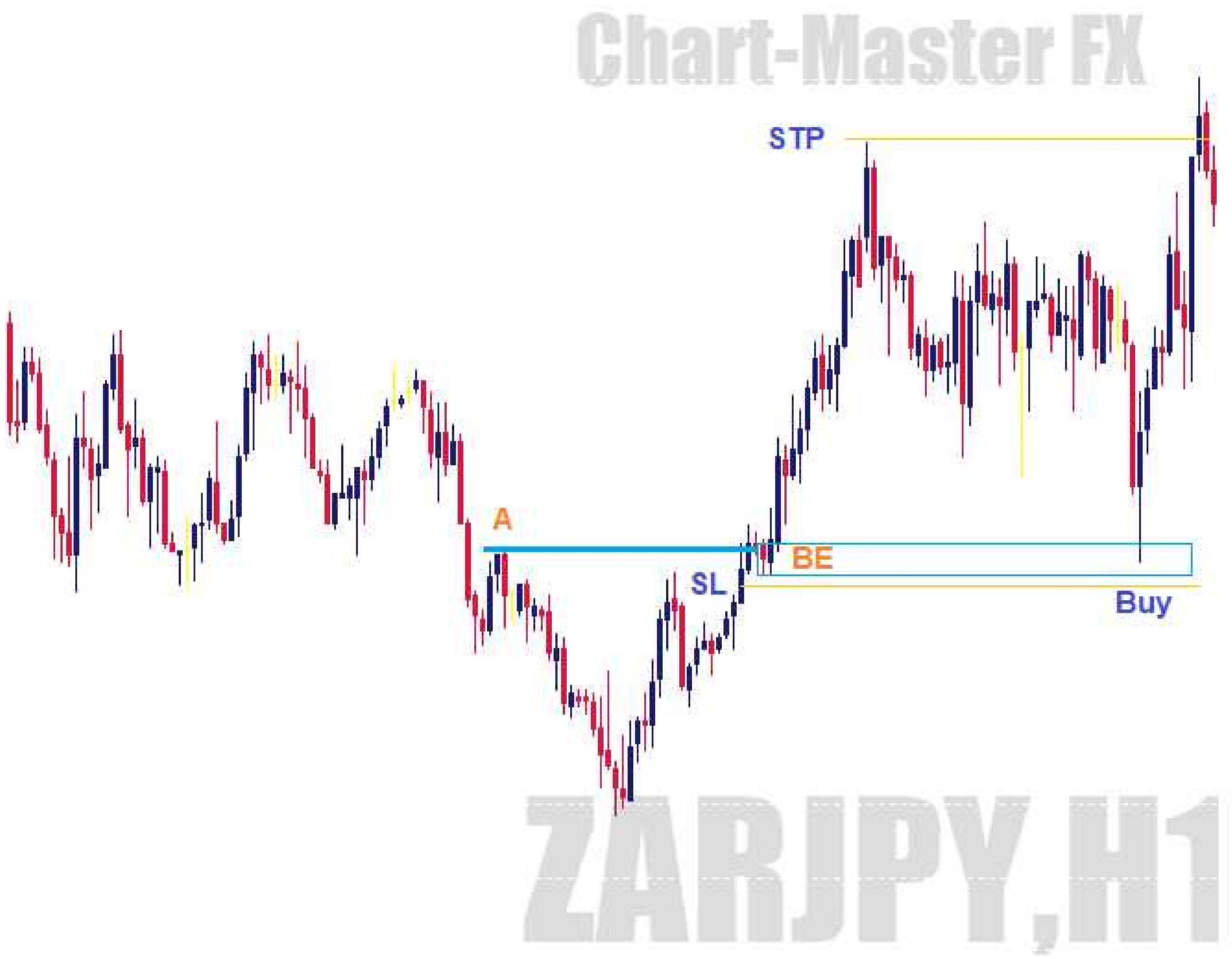
(a) It has a sharp A/V with a valid DP and a fairly strong momentum (Code 9).

(b) It has a sharp A/V with an invalid DP and a fairly strong momentum (Code 10).

(c) It has a flat A/V with a valid DP and a fairly strong momentum (Code 11).

(d) It has a flat A/V with an invalid DP and a fairly strong momentum (Code 12).

Chart Examples



Narrow Flag Limit (NFL)

Variables: A, Momentum, Kink.

- **A:** The top side of the A is composed of body candles and is very sharp. The A is in the form of a BE-DP
- **Momentum:** The momentum is fairly strong to the upside.
- **Kink:** The kink is valid and is in the form of bullish engulfing.
- **Trade Classification:** This trade is categorized as a high risk setup (Code 9).
- The price compressed to the decision point of interest, which is a good approach.



Narrow Flag Limit (NFL)

Variables: A, Momentum, Kink.

- **A:** The A is valid and sharp. There is not clear DP on the top side of A.
- **Momentum:** The acceleration is very strong.
- **Kink:** The kink is a reaction of the resistance line, which is in the form of a Doji.
- **Trade Classification:** This trade is categorized as a low risk trade (Code 3).

Narrow Flag Limit (NFL)

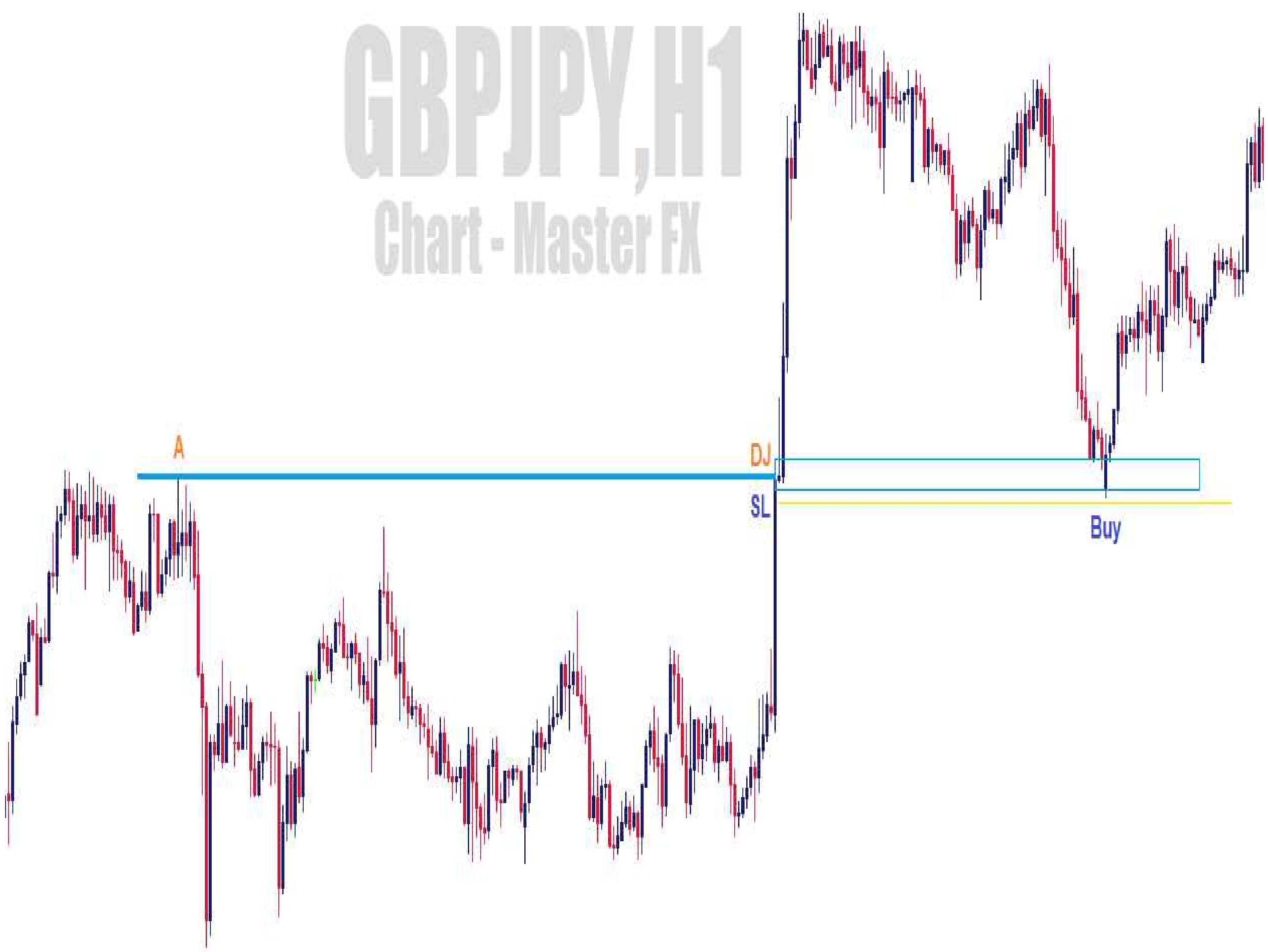


Variables: V, Momentum, Kink.

- **V:** The V is a shadow type and is very sharp. The DP is not valid.
- **Momentum:** The acceleration is very strong southwards.
- **Kink:** The kink is in the form of a bearish engulfing.
- **Trade Classification:** All the variables passed the checklist test except the validity of the DP. Therefore, this trade is classified as a low risk trade (Code 3).
- The price compressed well to the decision point of interest, which is an added advantage.

Narrow Flag Limit (NFL)

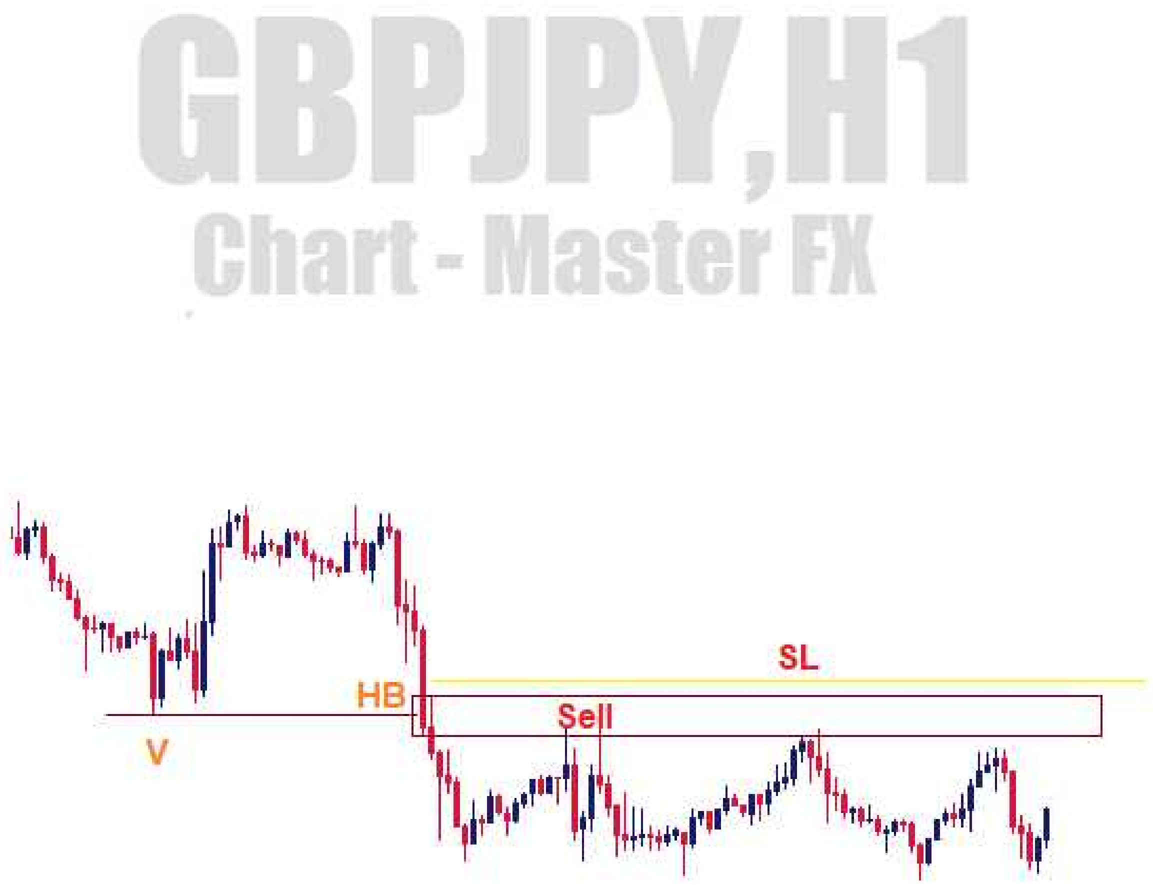
Variables: A, Momentum, Kink.



- **A:** The A is in the form of a shadow and is more leaned to sharpness than flatness. There is no valid DP.
- **Momentum:** The acceleration of price northwards is very strong.
- **Kink:** The kink is in the form of a Doji.
- **Trade Classification:** All the variables passed the checklist test except the validity of the 'A's DP. Therefore, this trade is classified as a low risk trade (Code 3).

Narrow Flag Limit (NFL)

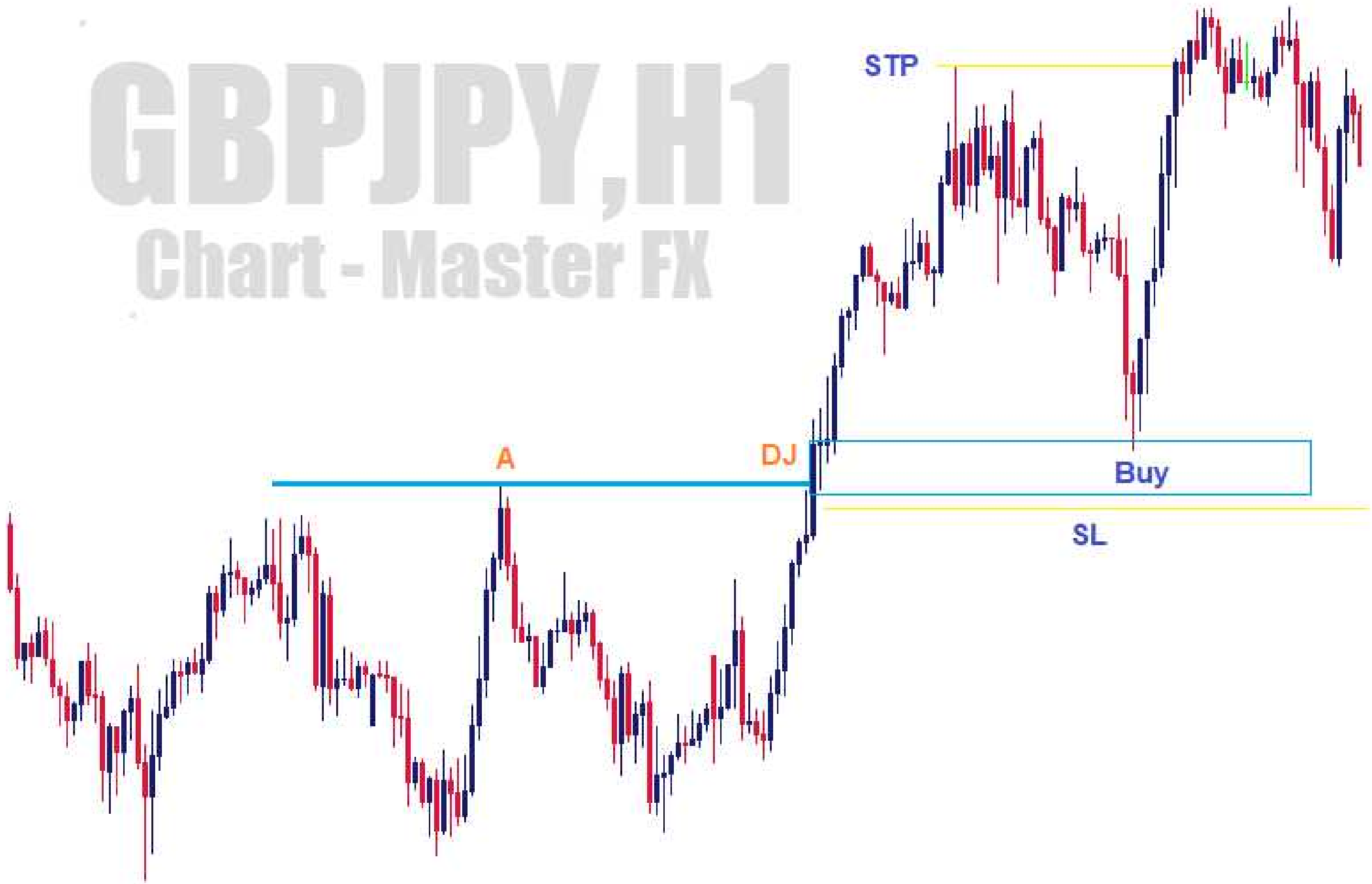
Variables: V, Momentum, Kink.



- **V:** The V is in the form of a W, which is also a V version. The W is a body candle type and is sharp. It has a valid BE-DP.
- **Momentum:** The momentum is strong.
- **Kink:** The kink is in the form of a hidden base.
- **Trade Classification:** This trade is categorized as a low risk setup (Code 2).

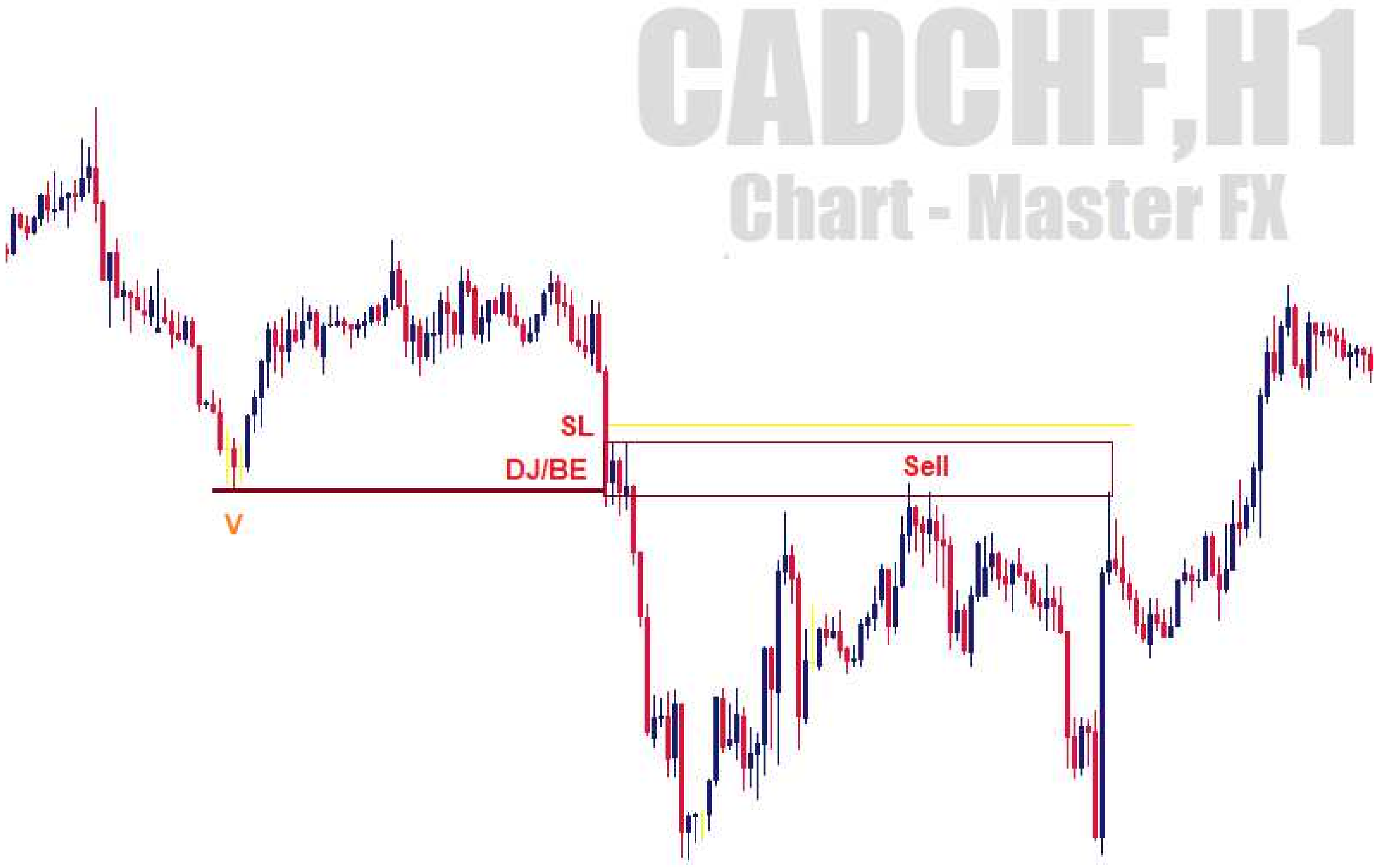
Narrow Flag Limit (NFL)

Variables: A, Momentum, Kink.



- **A:** The A is valid and very sharp. It has a valid BE-DP.
- **Momentum:** The momentum of price is strong. The price slowed down as it continued going northwards.
- **Kink:** The kink is valid and is in the form of a Doji.
- **Trade Classification:** This trade is categorized as a low risk setup (Code 2).

Narrow Flag Limit (NFL)



Variables: V, Momentum, Kink.

- **V:** The V is valid and sharp. The V has a valid DJ-DP.
- **Momentum:** The acceleration of price northwards is very strong.
- **Kink:** The kink is valid and is in the form of a DJ/BE.
- **Trade Classification:** All the variables passed the checklist test. As a result, this trade is classified as a low risk trade (Code 1).
- Approach of price to the decision point of interest was in slow motion, which is a good approach.



Narrow Flag Limit (NFL)

Variables: A, Momentum, Kink.

- **A:** The A is valid and sharp. There is no clear DP.
- **Momentum:** The momentum price is very strong northwards. The price compressed to the decision point of interest, which is a good approach.
- **Kink:** The kink is valid and is in the form of Bullish Engulfing.
- **Trade Classification:** This trade is categorized as a low risk setup (Code 3).

Narrow Flag Limit (NFL)

Variables: A, Momentum, Kink.



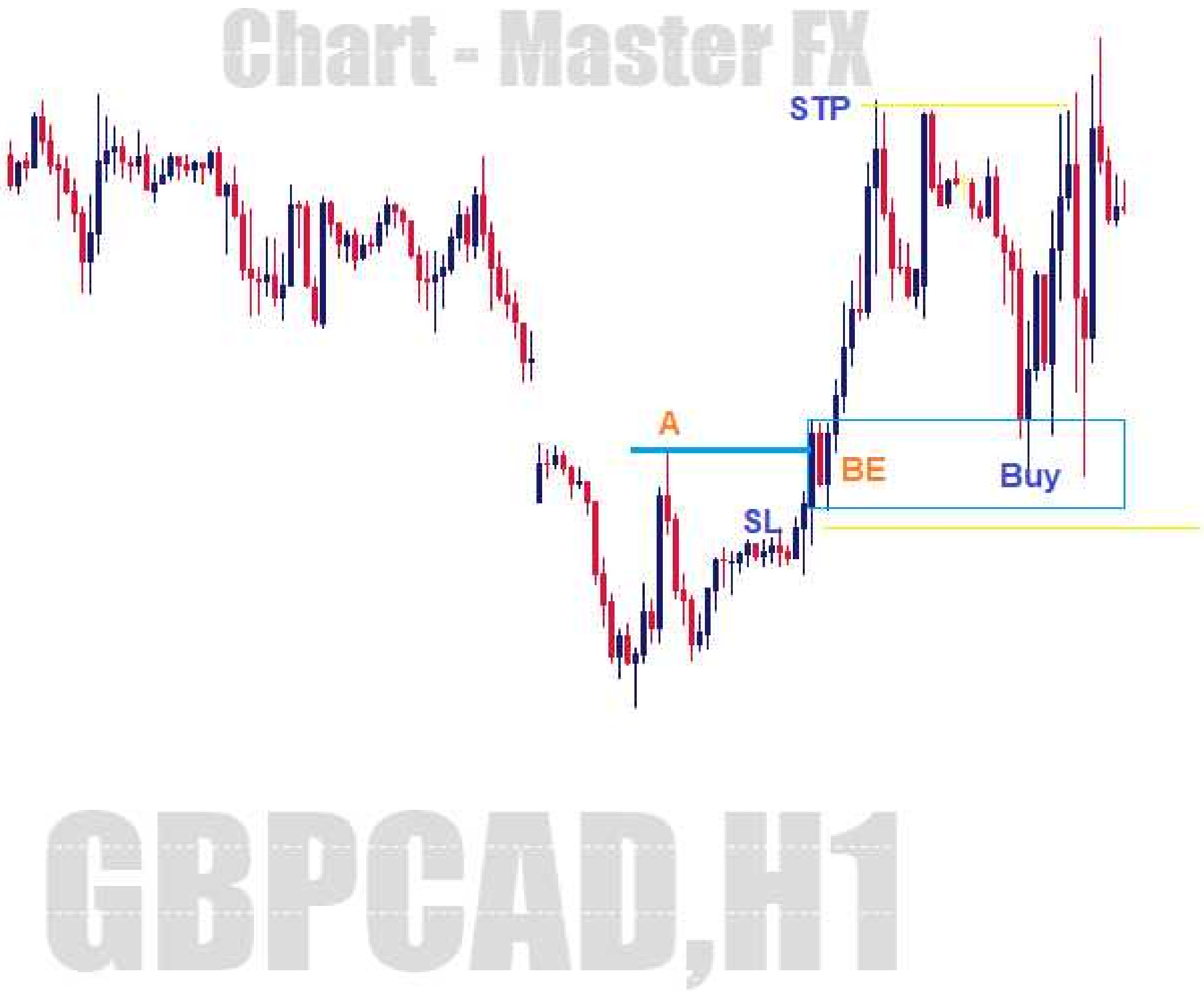
- **A:** The A is a shadow type and is sharp. The A is in the form of a DJ-DP.
- **Momentum:** The momentum of price is very strong to the upside. Thereafter, the price compressed to the zone of interest.
- **Kink:** The kink is in the form of a hidden base.
- **Trade Classification:** This trade is categorized as a low risk setup (Code 1).



Narrow Flag Limit (NFL)

Variables: A, Momentum, Kink.

- **A:** The A is very sharp and is in the form of a BE-DP.
- **Momentum:** The acceleration of price northwards was very strong. The price compressed down to the decision point of interest.
- **Kink:** The kink is in the form of a hidden base.
- **Trade Classification:** All the variables passed the checklist test exceptionally. In this regard, this trade is classified as a low risk trade (Code 1).



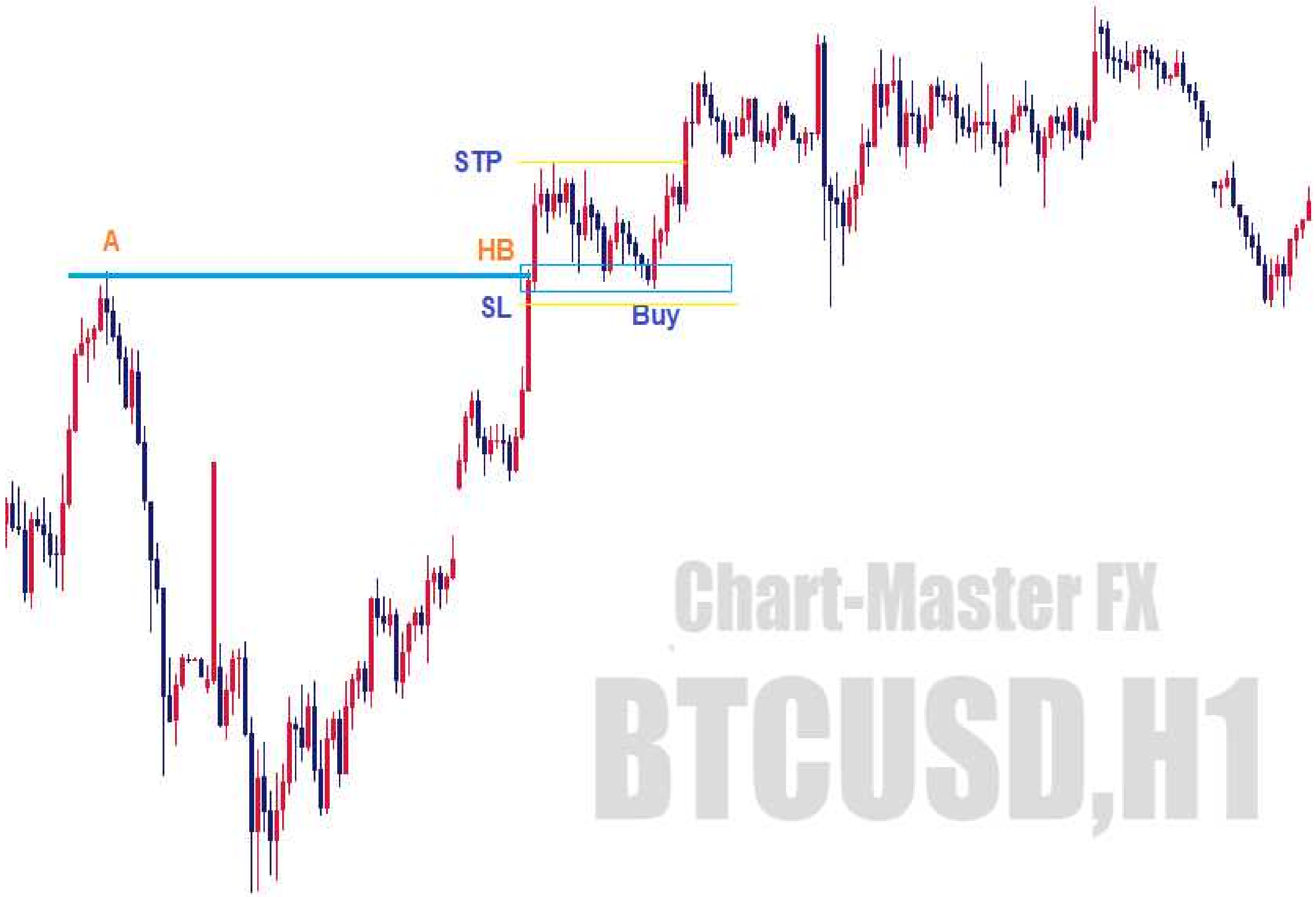
Narrow Flag Limit (NFL)

Variables: A, Momentum, Kink.

- **A:** The A is very sharp and is a shadow type. There is a valid DJ-DP.
- **Momentum:** The momentum is strong.
- **Kink:** The kink is in the form of bullish engulfing.
- **Trade Classification:** This trade is categorized as a low risk setup (Code 2).

Narrow Flag Limit (NFL)

Variables: A, Momentum, Kink.



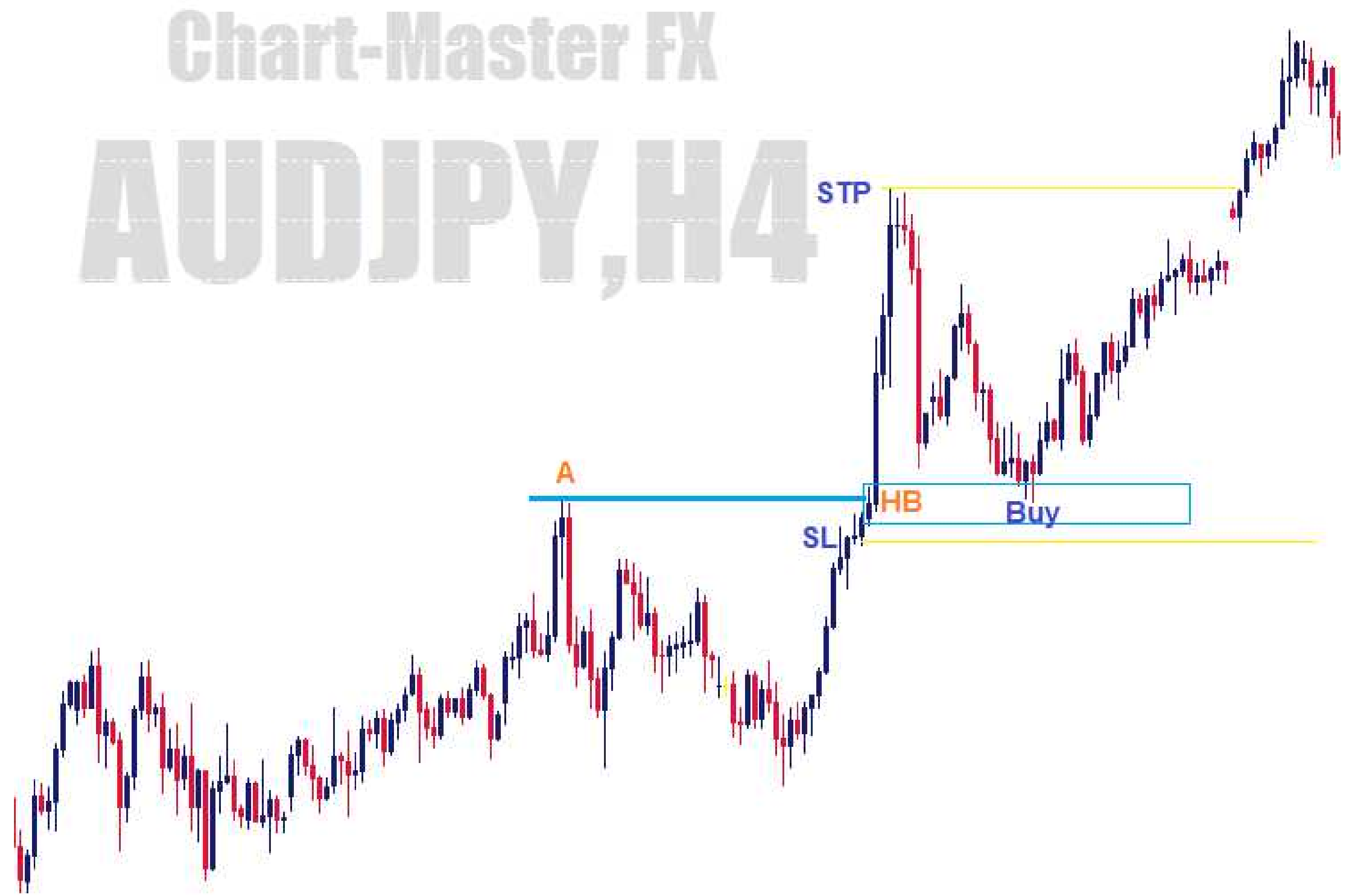
- **A:** The A is valid and sharp. It has a valid DJ-DP.
- **Momentum:** The price accelerated very well northwards. In this regard, the momentum is classified as strong. Thereafter, the price compressed back to the hidden base.
- **Kink:** The kink is in the form of a hidden base.
- **Trade Classification:** This trade is categorized as a low risk setup (Code 1).

Narrow Flag Limit (NFL)



Variables: A, Momentum, Kink.

- **A:** In this case, there is an A squared setup. This setup looks like a buy version setup of the KLC. Generally, these 'A's are classified as sharp. The A closer to the kink has a valid BE-DP.
- **Momentum:** The momentum is very strong to the upside, almost like a straight pole. The momentum of price is weak on approach to the decision point.
- **Kink:** The kink is in the form of Bullish Engulfing.
- **Trade Classification:** This trade is categorized as a low risk setup (Code 1).



Narrow Flag Limit (NFL)

Variables: A, Momentum, Kink.

- **A:** The A is sharp and is in the form of bearish engulfing (BE-DP) , which is an added advantage.
- **Momentum:** The momentum of price is very strong.
- **Kink:** The kink is in the form of a hidden base.
- **Trade Classification:** This trade is categorized as a low risk setup (Code 1).

Narrow Flag Limit (NFL)

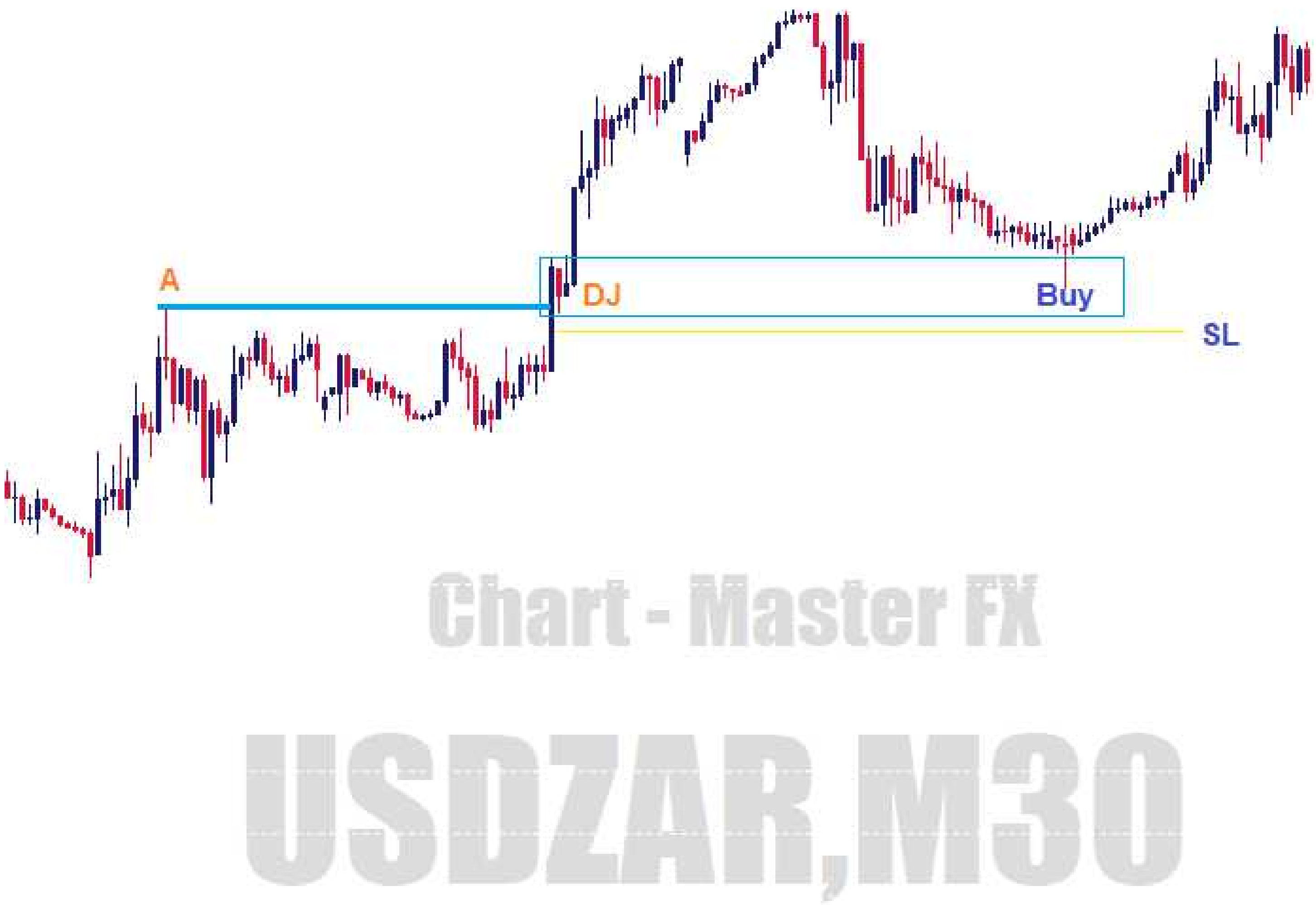
Variables: V, Momentum, Kink.



- **V:** The V is sharp like a sword. There is no valid DP.
- **Momentum:** The momentum of price is very strong southwards.
- **Kink:** The kink is in the form of a hidden base.
- **Trade Classification:** This trade is categorized as a low risk setup (Code 3).

Narrow Flag Limit (NFL)

Variables: A, Momentum, Kink.



- **A:** The A is a shadow type and is very sharp. The A is classified as a DJ-DP.
- **Momentum:** The momentum of price to the upside is fairly strong.
- **Kink:** The kink is justifiable and is in the form of a Doji.
- **Trade Classification:** The trade is classified as a high risk setup (Code 9).

Narrow Flag Limit (NFL)

Variables: V, Momentum, Kink.



- **V:** The V is in the form of shadows and is very sharp. The bottom side of the V has a valid DJ/BE-DP.
- **Momentum:** The acceleration of price is very strong.
- **Kink:** The kink is in the form of a Doji.
- **Trade Classification:** This trade is categorized as a low risk setup (Code 1).

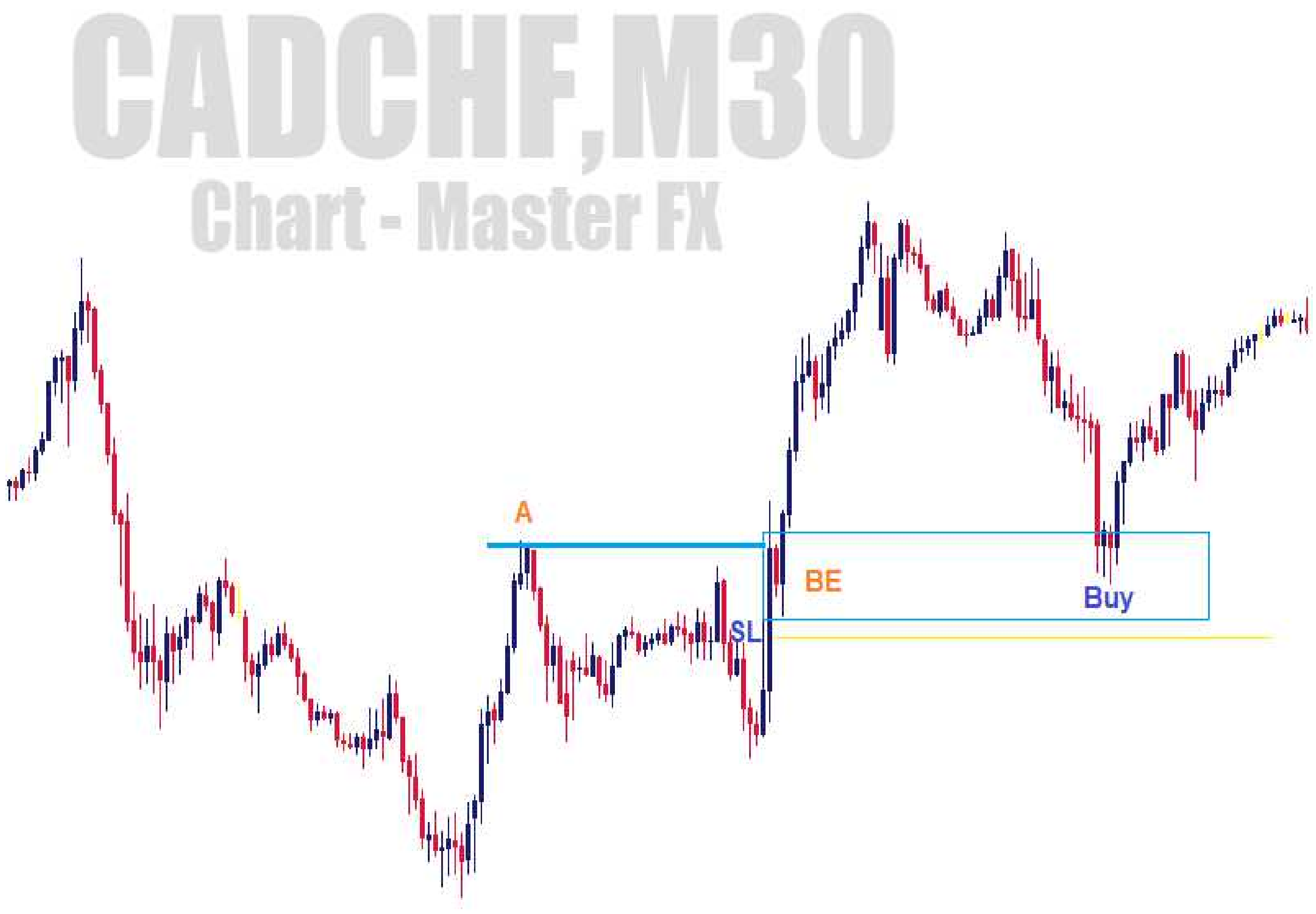
Narrow Flag Limit (NFL)



Variables: A, Momentum, Kink.

- **A:** The A is a shadow type and is very sharp. The A is classified as a BE-DP.
- **Momentum:** The momentum is strong.
- **Kink:** The kink is justifiable and is in the form of a Doji.
- **Trade Classification:** This trade is categorized as a low risk setup (Code 2).

Narrow Flag Limit (NFL)



Variables: A, Momentum, Kink.

- **A:** The A is in the form of body candles and is very sharp. There is a valid BE-DP.
- **Momentum:** The momentum is classified as strong.
- **Kink:** The kink is in the form of bullish engulfing.
- **Trade Classification:** This trade is classified as low risk trade (Code 2).

Narrow Flag Limit (NFL)



Variables: A, Momentum, Kink.

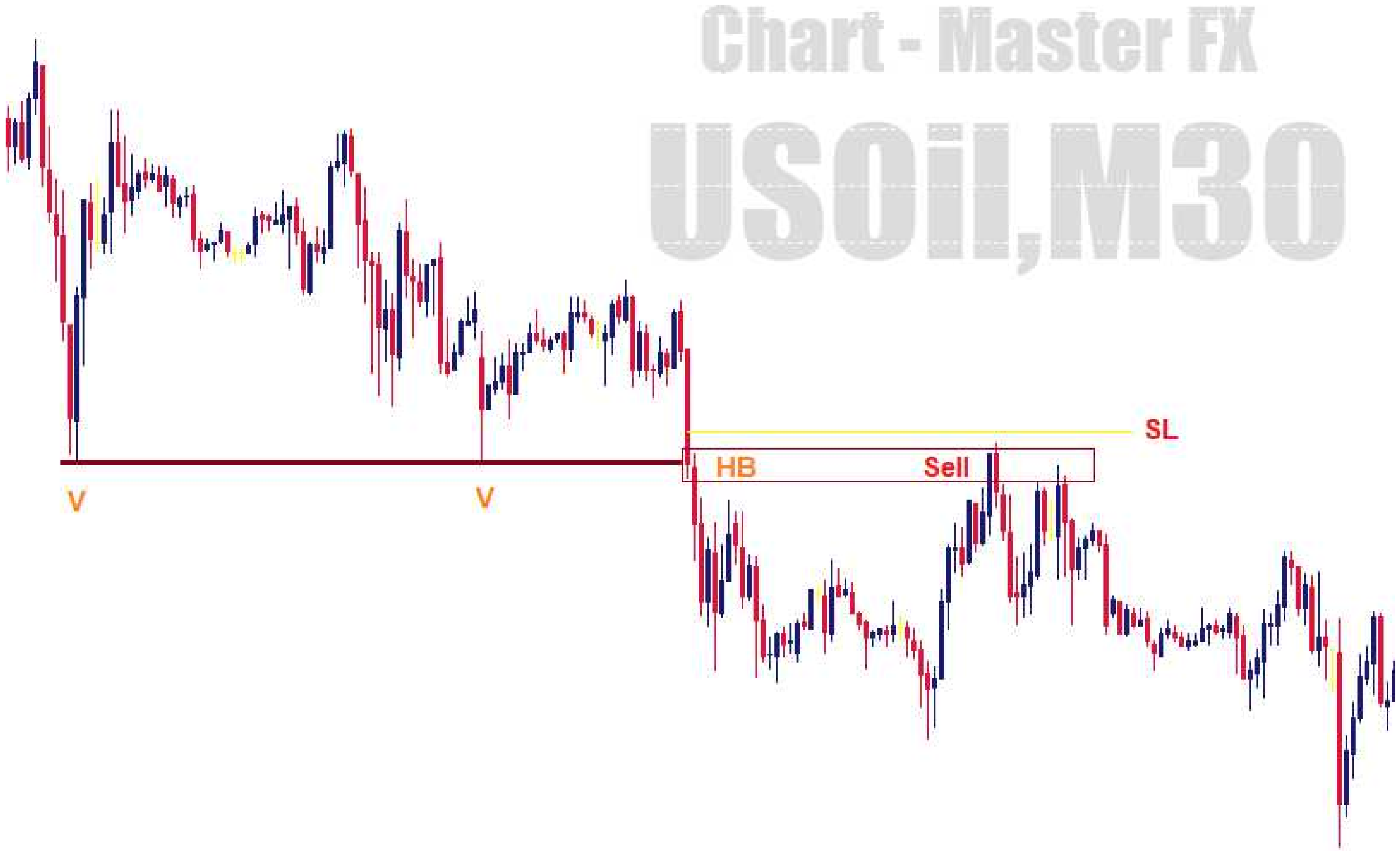
- **A:** The A is in the form of body candles and is sharp. There is a valid BE-DP on the upper side of the A.
- **Momentum:** The acceleration of price is very strong.
- **Kink:** The kink is in the form of a Doji that is formed at the resistance line
- **Trade Classification:** All the variables were tested and found not guilty. In this manner, this trade is categorized as a low risk setup (Code 1).



Narrow Flag Limit (NFL)

Variables: V, Momentum, Kink.

- **V:** The V is in the form of a W, which is valid. The W is sharp but does not have an obvious DP.
- **Momentum:** The acceleration of price is very strong and the price made a quick retest to the magic line in the form of compression.
- **Kink:** The kink is in the form Doji.
- **Trade Classification:** This trade is categorized as a low risk setup (Code 3).



Narrow Flag Limit (NFL)

Variables: V, Momentum, Kink.

- **V:** In this case, there is a double V, which adds extra strength to the setup. Both 'V's are very sharp. The far-left V is in the form of BE-DP whereas the right V does not have a clear DP.
- **Momentum:** The acceleration of price is strong.
- **Kink:** The kink is in the form of a hidden base.
- **Trade Classification:** This trade is categorized as a low risk setup (Code 2).

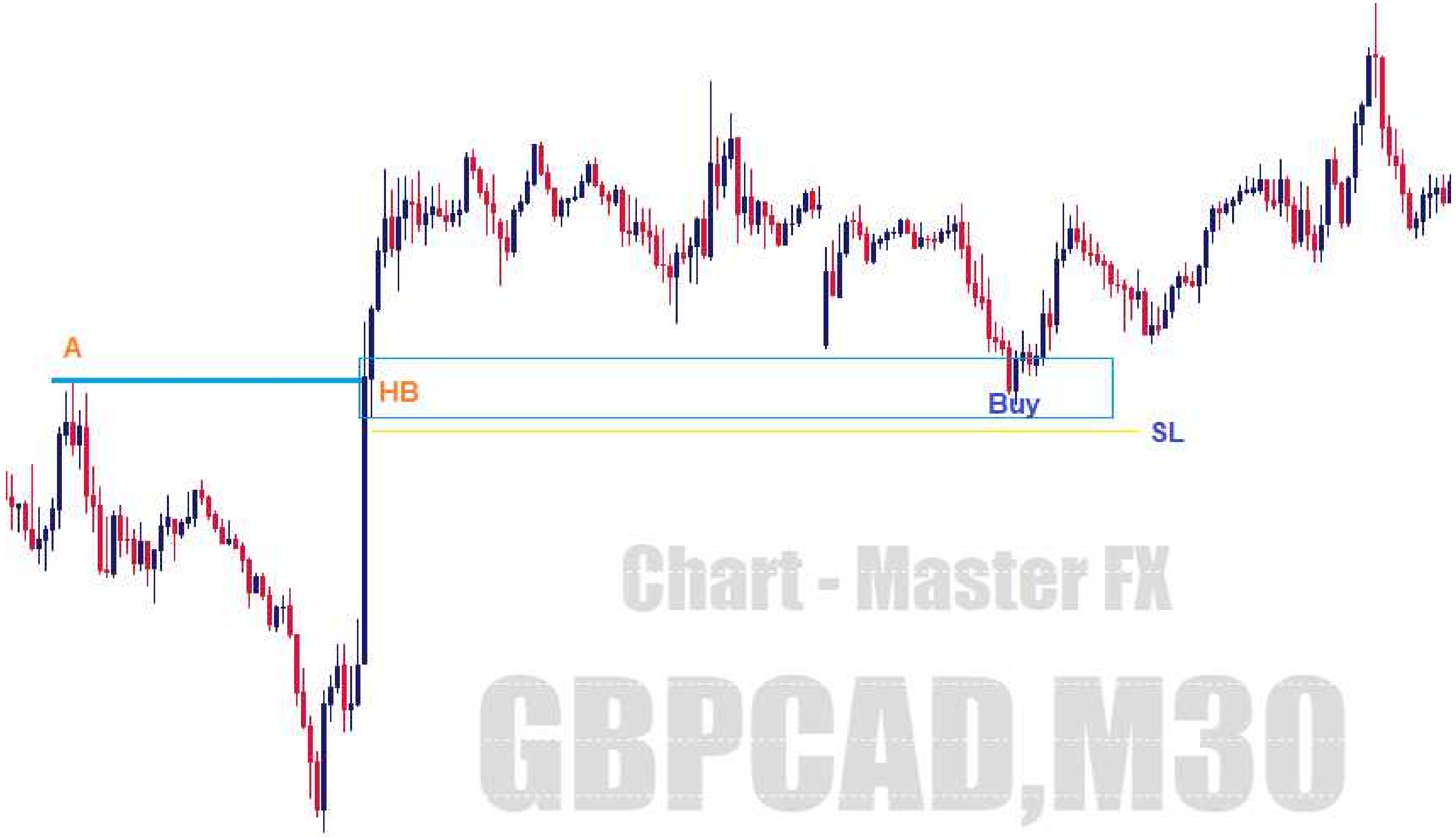


Narrow Flag Limit (NFL)

Variables: A, Momentum, Kink.

- **A:** The A is sharp and is in the form of a wick. There is a valid DJ-DP.
- **Momentum:** The acceleration of price is very strong and valid.
- **Kink:** The kink is in the form of a hidden base.
- **Trade Classification:** This trade is categorized as a low risk setup (Code 1).

Narrow Flag Limit (NFL)



Variables: A, Momentum, Kink.

- **A:** The A is valid and has wicks. The A is sharp and is in the form of a DJ-DP.
- **Momentum:** The momentum of price is very strong.
- **Kink:** There is a hidden base kink available.
- **Trade Classification:** Since all the conditions were met, this trade can be categorized as a low risk setup (Code 1).

Narrow Flag Limit (NFL)

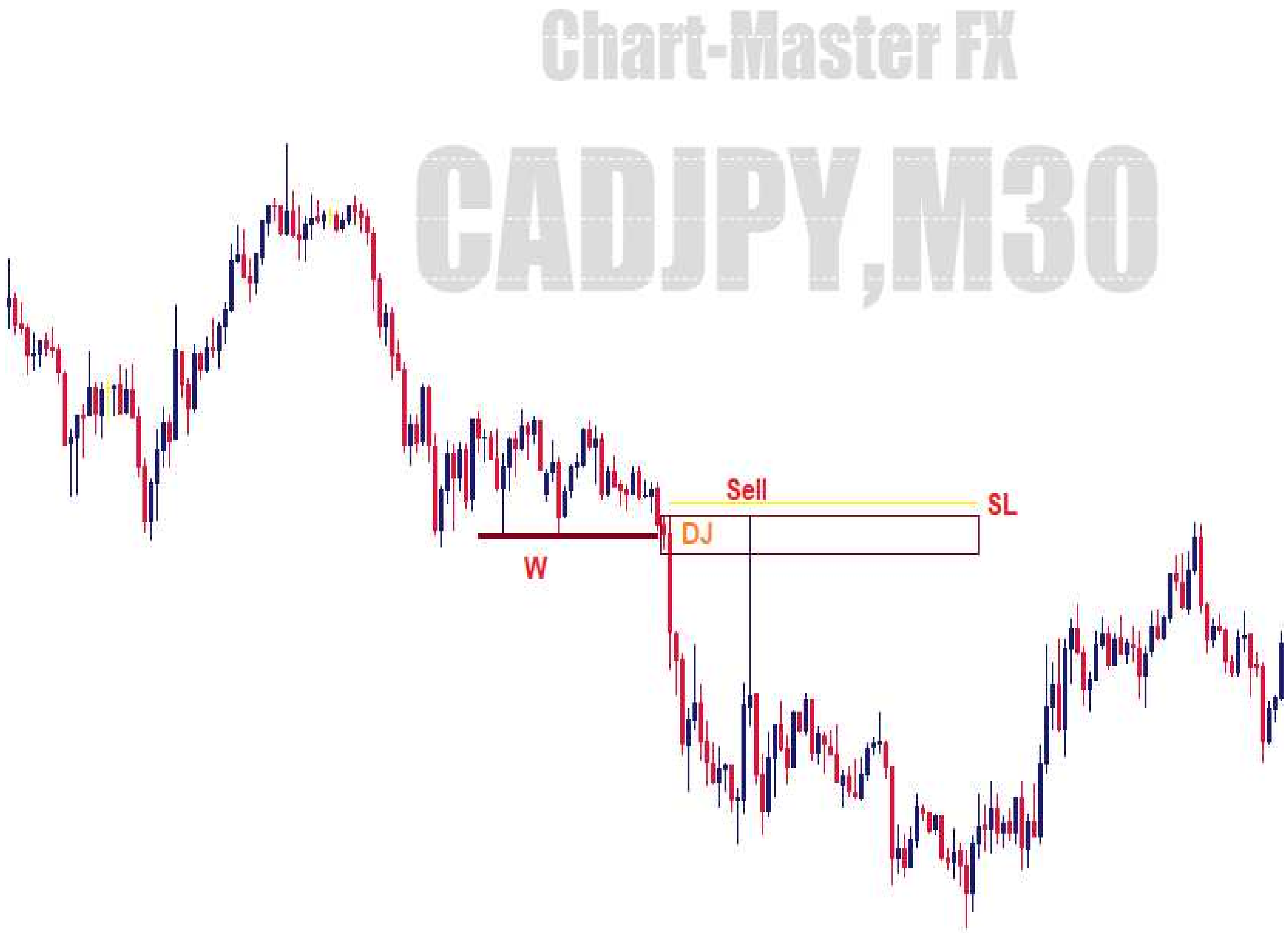


Variables: A, Momentum, Kink.

- **A:** There are two highs in this case sharing the same kink. The A in consideration, in this case, is sharp and is in the form of body candles. There is a valid BE-DP.
- **Momentum:** The acceleration of price is strong. However, the price made a pause, then retraced almost back to the decision point of interest.
- **Kink:** The kink is in the form of a Doji.
- **Trade Classification:** This trade is categorized as a low risk setup (Code 2).

Narrow Flag Limit (NFL)

Variables: V, Momentum, Kink.



- **V:** The V is sharp and is in the form of a W with shadows. There is no definite DP.
- **Momentum:** The acceleration of price is strong.
- **Kink:** The kink is in the form of a Doji.
- **Trade Classification:** This trade is categorized as a low risk setup (Code 4).

Narrow Flag Limit (NFL)

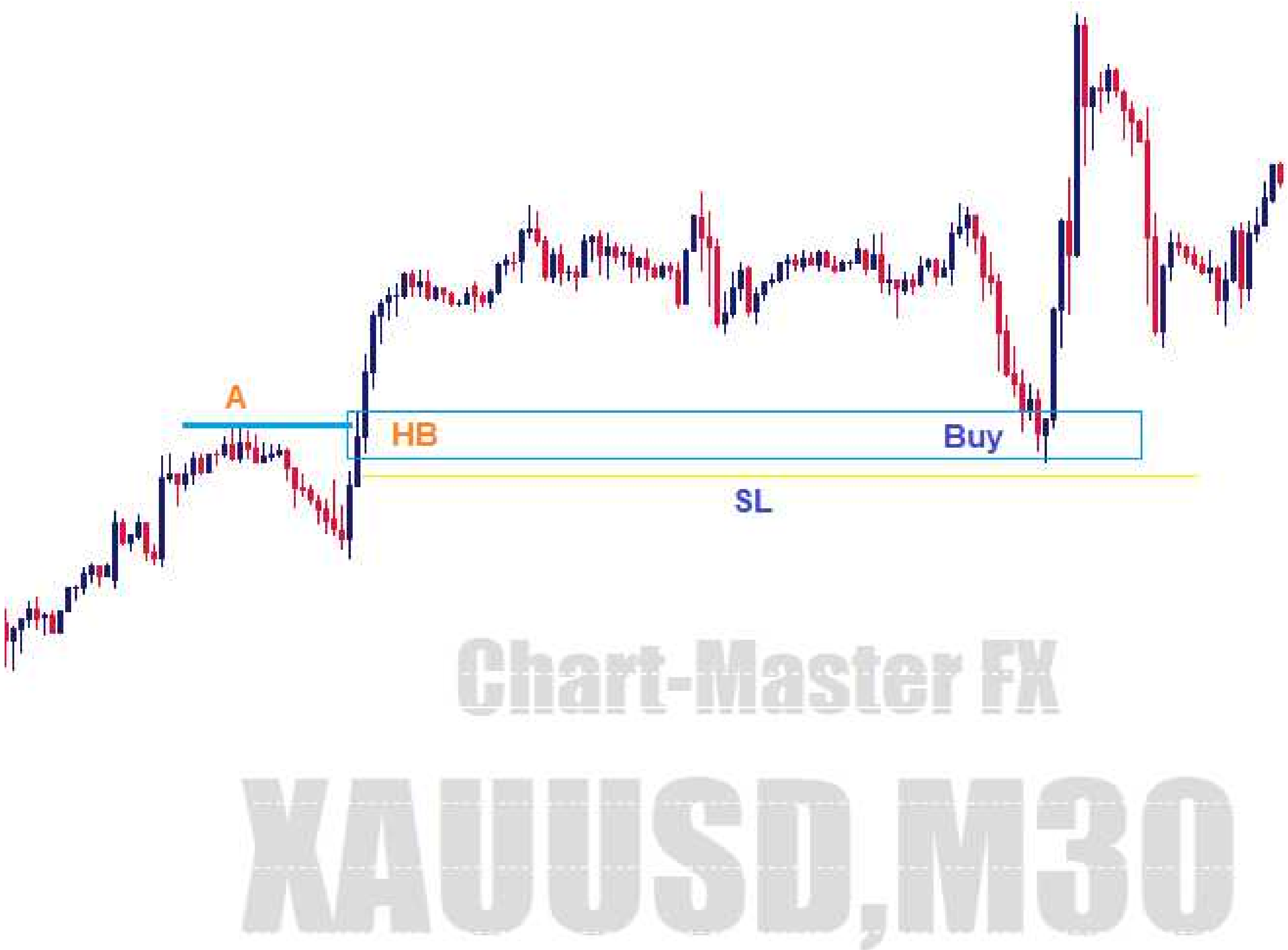


Variables: V, Momentum, Kink.

- **V:** The V is valid and sharp. The bottom part of the V has a DJ-DP characteristic.
- **Momentum:** The momentum is strong to the downside with some pauses along the way.
- **Kink:** The kink is in the form of a hidden base.
- **Trade Classification:** This trade is categorized as a low risk setup (Code 2).

Narrow Flag Limit (NFL)

Variables: A, Momentum, Kink.



- **A:** The A is flat and there is no clear DP on it.
- **Momentum:** The acceleration of price is strong to the upside.
- **Kink:** The kink created is in the form of a hidden base.
- **Trade Classification:** This trade is categorized as a medium risk setup (Code 8).

Narrow Flag Limit (NFL)

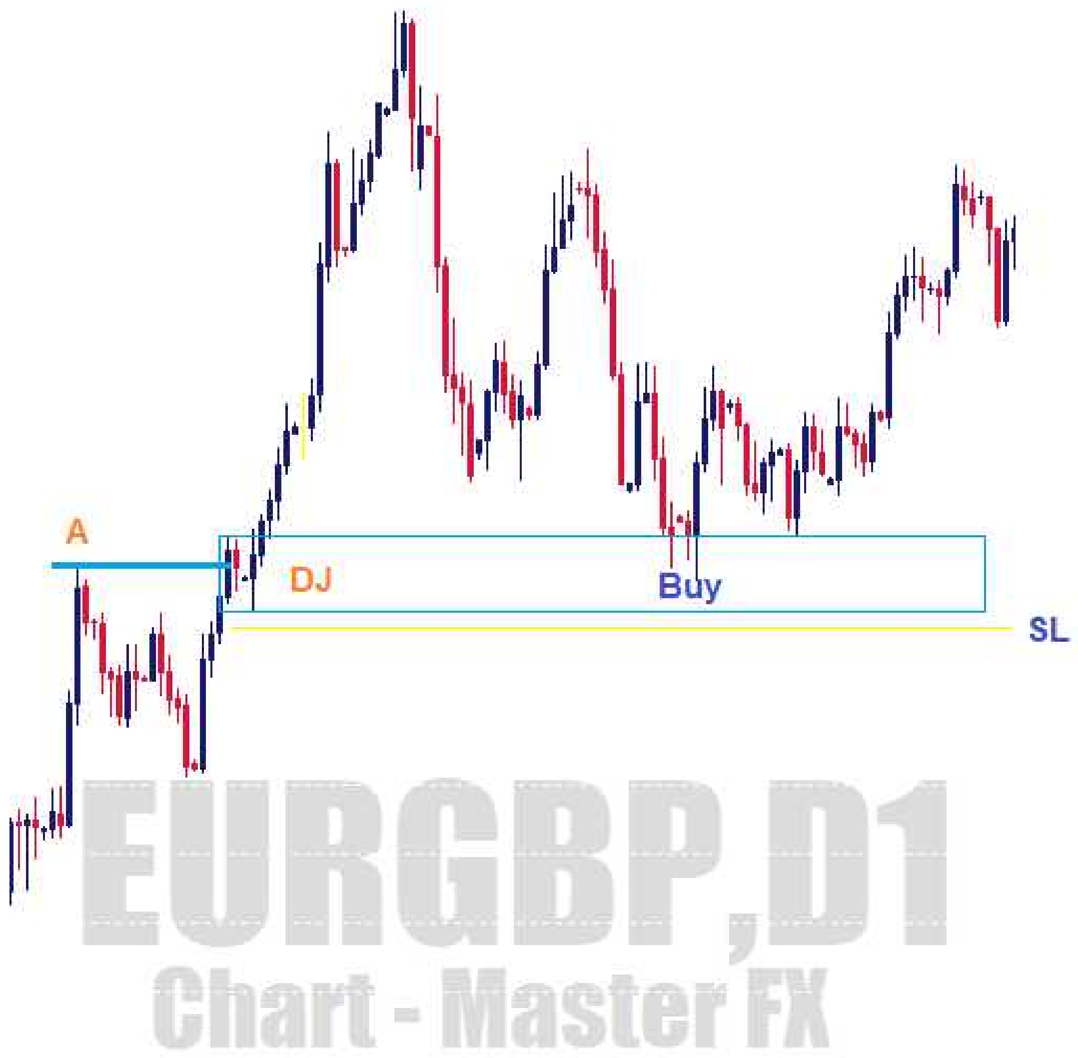


Variables: V, Momentum, Kink.

- **V:** The V is valid and sharp. It is in the form of a DJ-DP.
- **Momentum:** The momentum is fairly strong southwards with many pauses along the way.
- **Kink:** The kink is in the form of a hidden base.
- **Trade Classification:** This trade is categorized as a high risk setup (Code 9).

Narrow Flag Limit (NFL)

Variables: A, Momentum, Kink.



- **A:** The A is very sharp and valid. The top part of the A does not have a definite DP.
- **Momentum:** The momentum is fairly strong. The price struggled to move with heavy momentum as it was coming from the magic line.
- **Kink:** The kink is in the form of a Doji.
- **Trade Classification:** This trade is categorized as a high risk setup (Code 10).

Narrow Flag Limit (NFL)

Variables: V, Momentum, Kink.



- **V:** The V is in the form of body candles and is very sharp. It is in the form a BE-DP.
- **Momentum:** The momentum is strong but decreased as the price continued going down.
- **Kink:** The kink is in the form of a hidden base.
- **Trade Classification:** This trade is categorized as a low risk setup (Code 2).

Narrow Flag Limit (NFL)



Variables: V, Momentum, Kink.

- **V:** The V is in the form of shadows and is valid. It can be classified as sharp and has a valid DJ-DP.
- **Momentum:** The acceleration of price to the downside is very strong.
- **Kink:** The decision point is in the form of bearish engulfing.
- **Trade Classification:** This trade is categorized as a low risk setup (Code 1).

Narrow Flag Limit (NFL)

Variables: V, Momentum, Kink.



- **V:** The V is in the form of a shadow and is very sharp. There is no valid DP.
- **Momentum:** The momentum is very strong southwards.
- **Kink:** The decision point is in the form of a hidden base.
- **Trade Classification:** This trade is categorized as a low risk trade (Code 3).

Narrow Flag Limit (NFL)

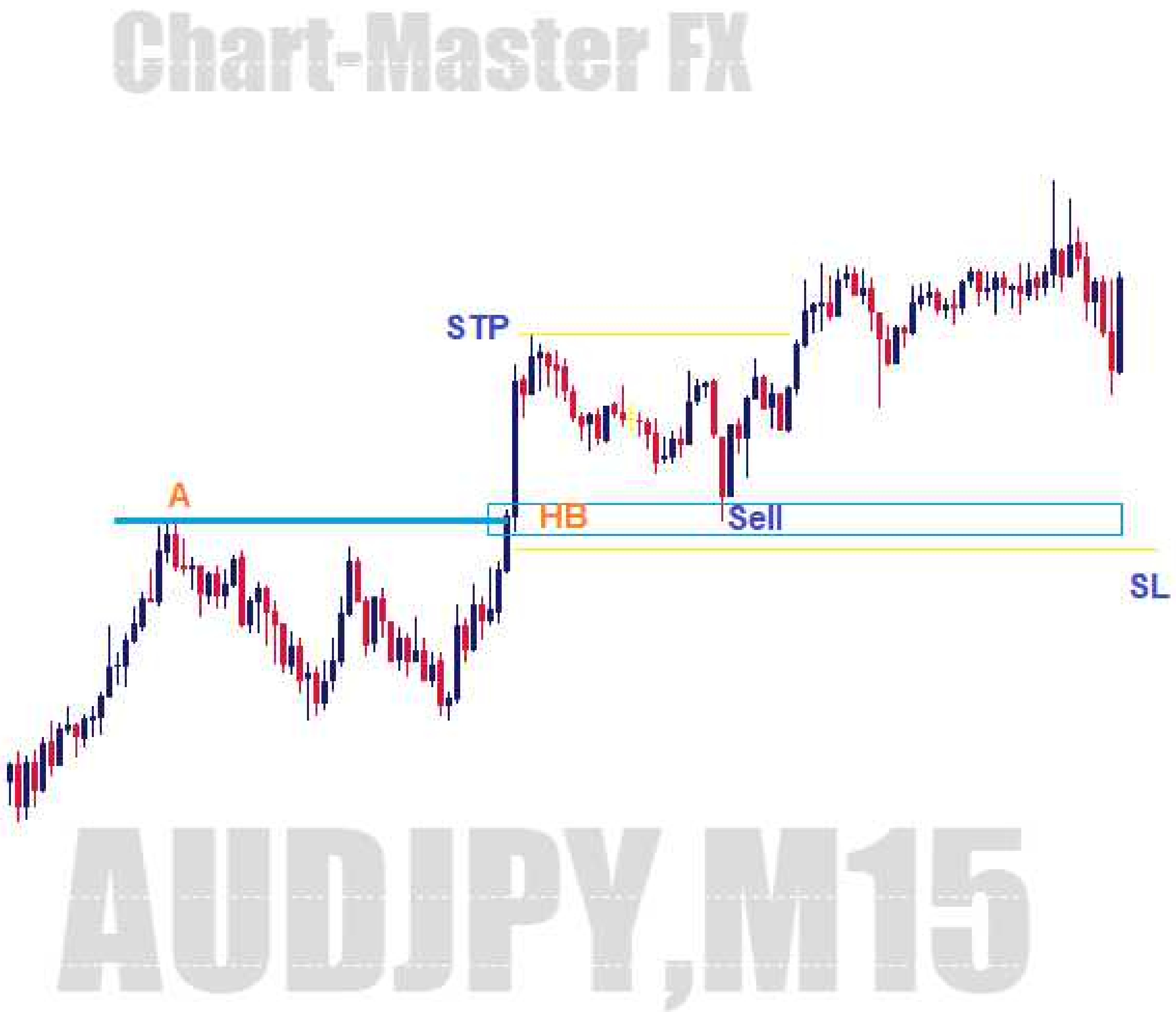
Variables: V, Momentum, Kink.



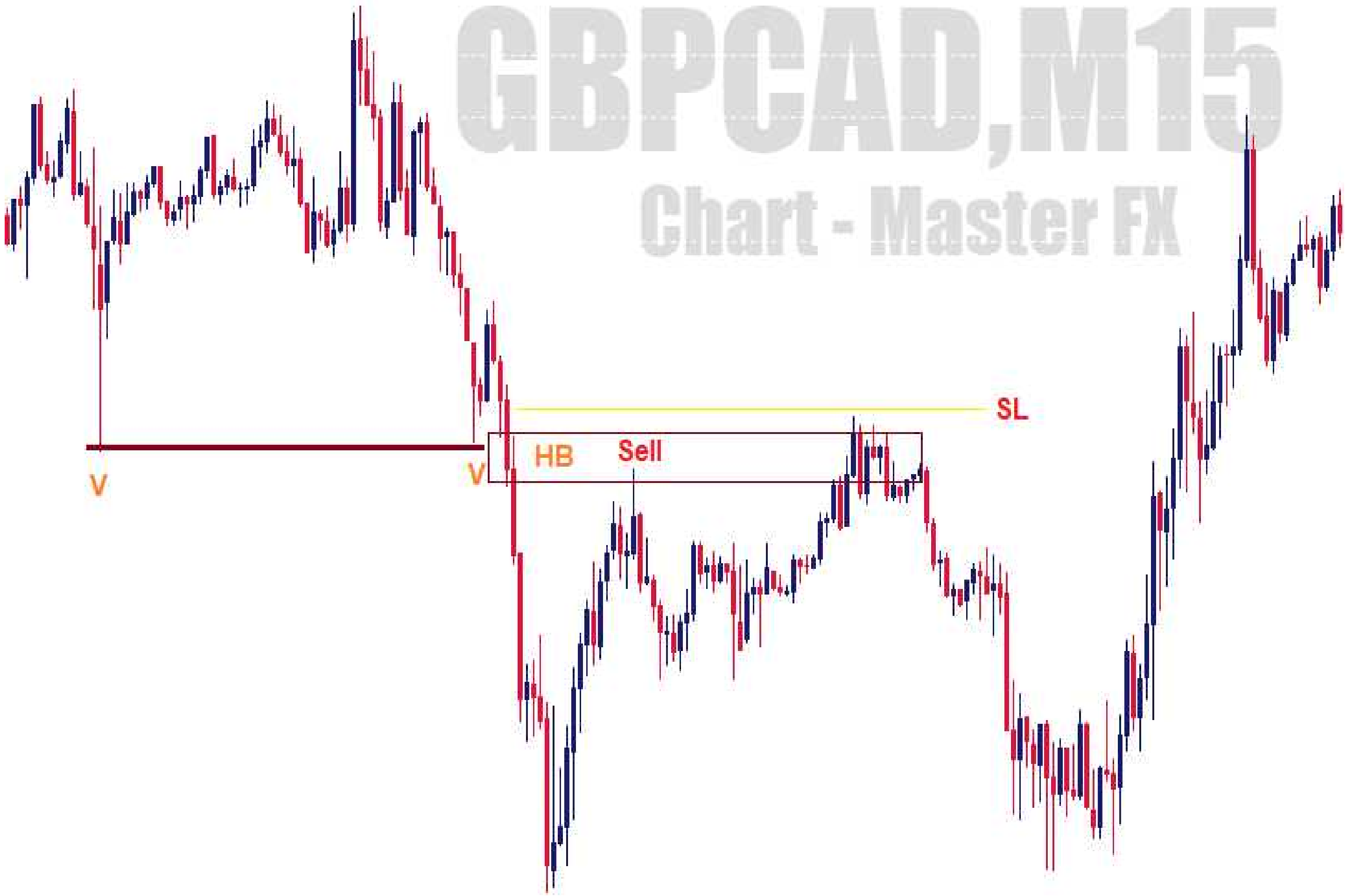
- **V:** The V meets the requirements. It is sharp and has a valid DJ-DP.
- **Momentum:** The momentum is justifiable and very strong. The price approached the zone of interest in a slow-motion manner.
- **Kink:** The kink is valid in the form of bearish engulfing.
- **Trade Classification:** This trade is categorized as a low risk setup (Code 1).

Narrow Flag Limit (NFL)

Variables: A, Momentum, Kink.



- **A:** The A meets the requirements. It is sharp and it has a valid BE-DP.
- **Momentum:** The acceleration of price is strong northwards. Thereafter, the price started to compressed back to the decision point of interest.
- **Kink:** The kink is in the form of a hidden base.
- **Trade Classification:** This trade is categorized as a low risk setup (Code 1).



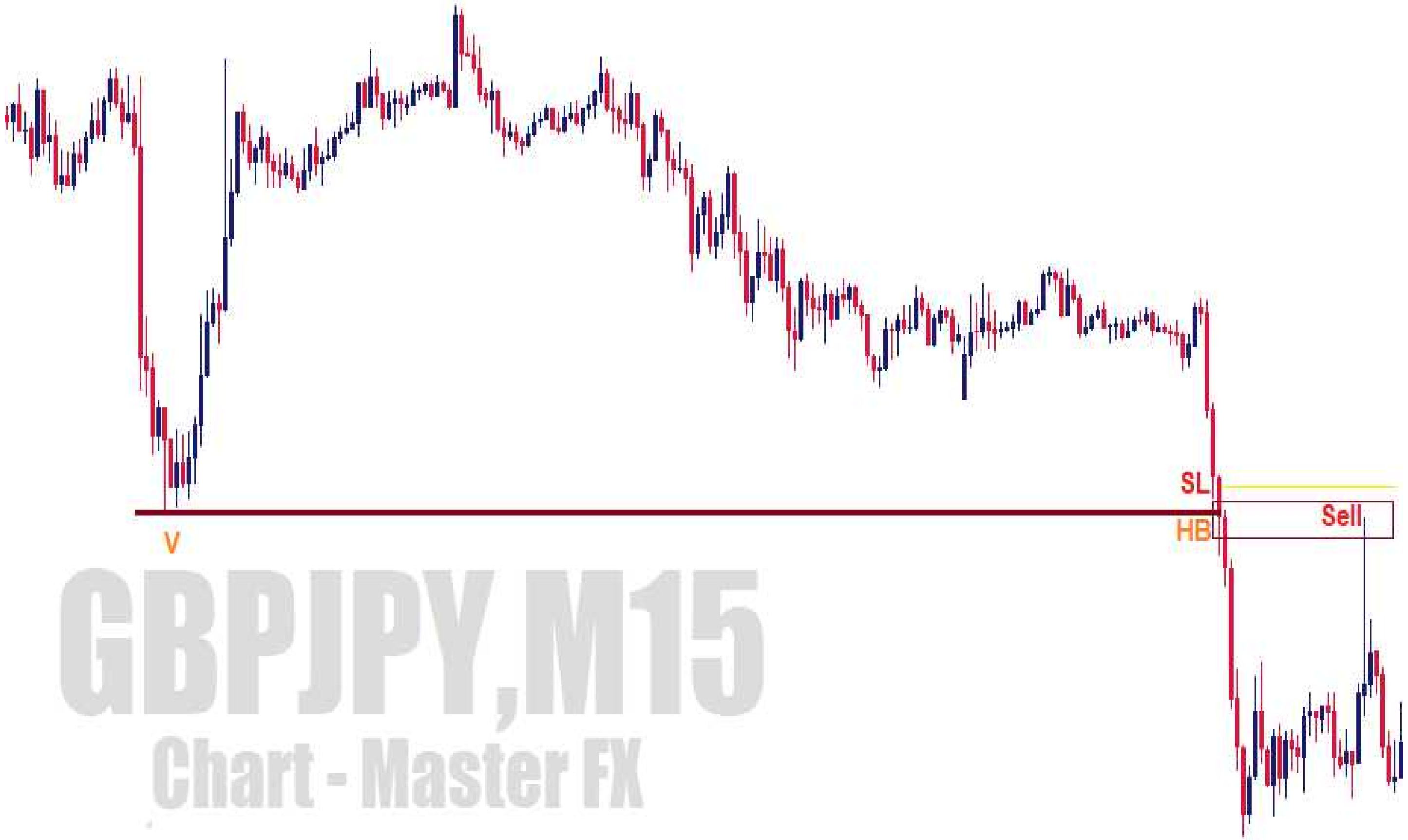
Narrow Flag Limit (NFL)

Variables: V, Momentum, Kink.

- **V:** There is a double V and both are in the form of wicks. Both ‘V’s are sharp and have valid BE-DP.
- **Momentum:** The acceleration of price is very strong.
- **Kink:** The kink is in the form of a hidden base.
- **Trade Classification:** This trade is categorized as a low risk setup (Code 1).

Narrow Flag Limit (NFL)

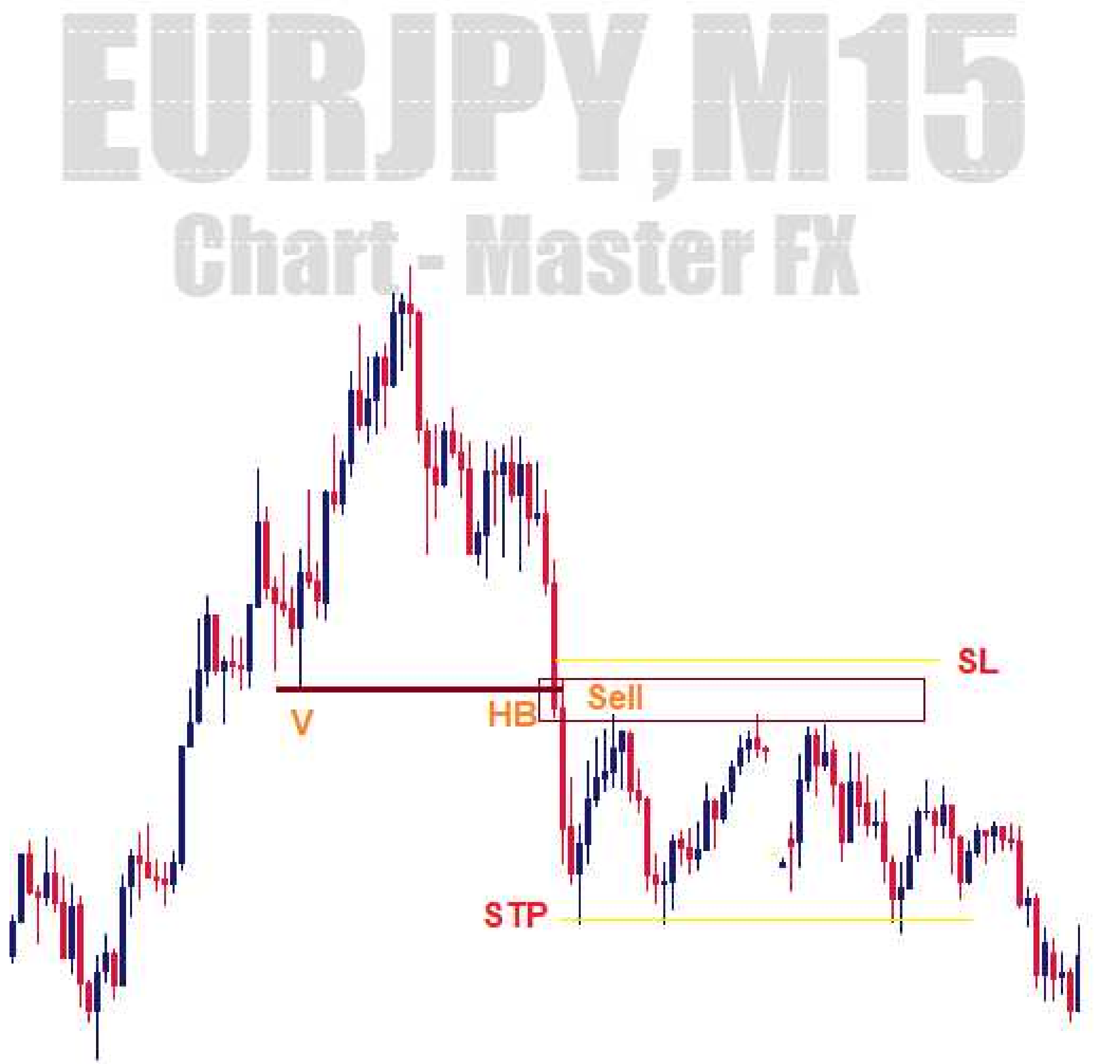
Variables: V, Momentum, Kink.



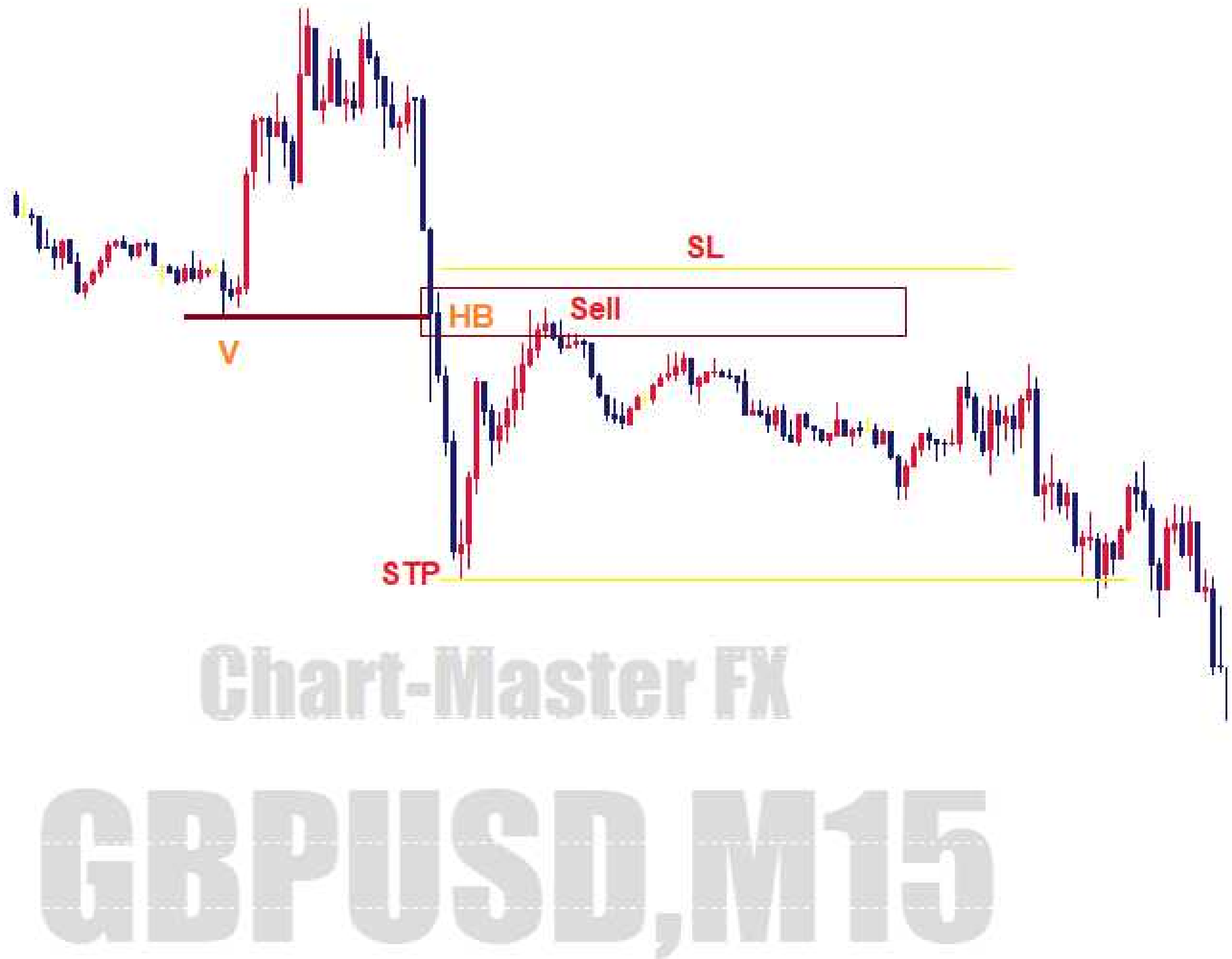
- **V:** The V is valid and meets the requirements. It is sharp. There is no clear DP.
- **Momentum:** The acceleration of price is very strong to the downside.
- **Kink:** The kink, in this case, is in the form of a hidden base.
- **Trade Classification:** This trade is categorized as a low risk setup (Code 3).

Narrow Flag Limit (NFL)

Variables: V, Momentum, Kink.



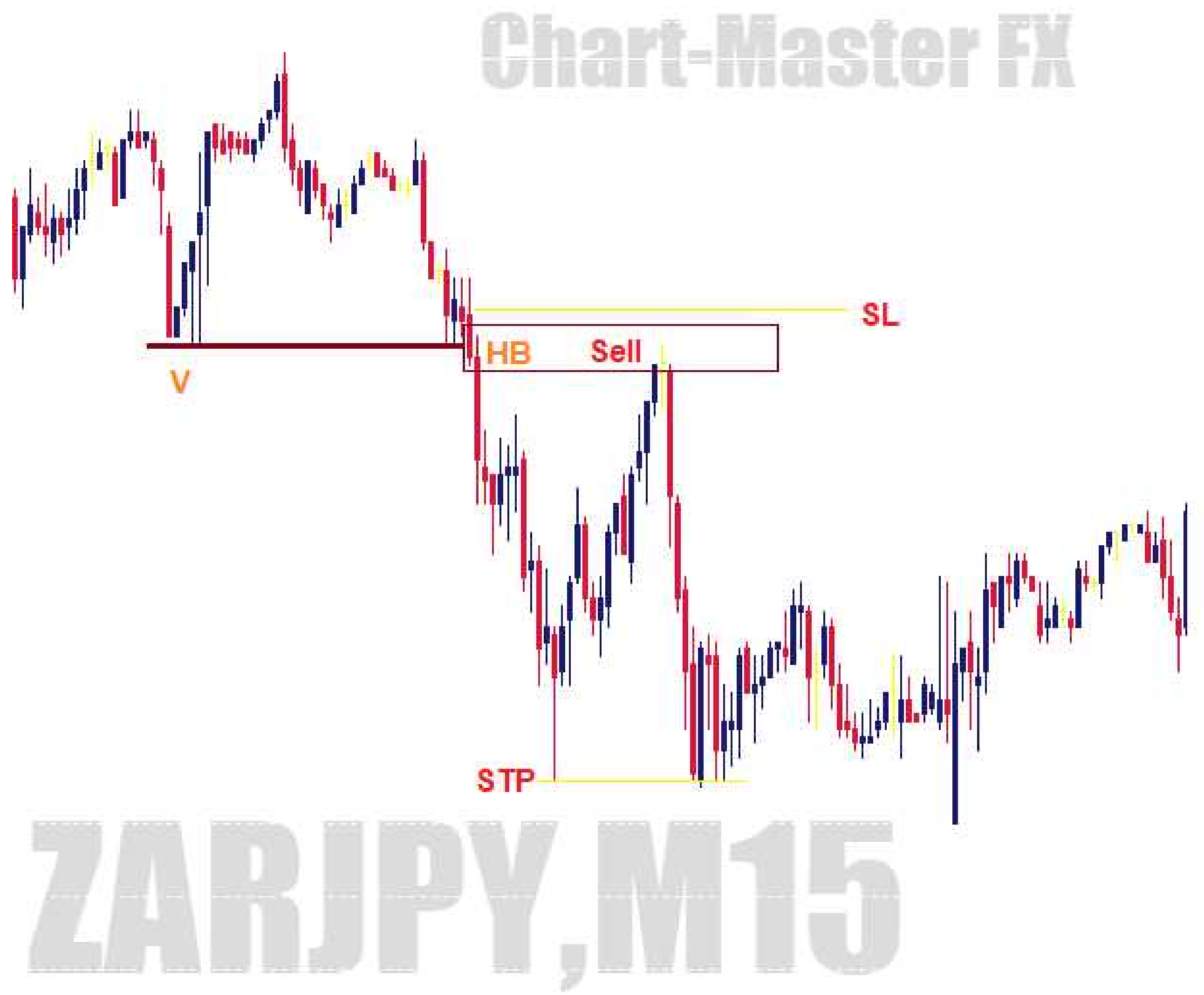
- **V:** The V is in the form of a shadow and is sharp. The V is in the form of BE-DP.
- **Momentum:** The momentum is very strong. The price compressed thereafter to the decision point of interest.
- **Kink:** The kink is perfectly aligned with the hidden base and is valid.
- **Trade Classification:** This trade is categorized as a low risk setup (Code 1).



Narrow Flag Limit (NFL)

Variables: V, Momentum, Kink.

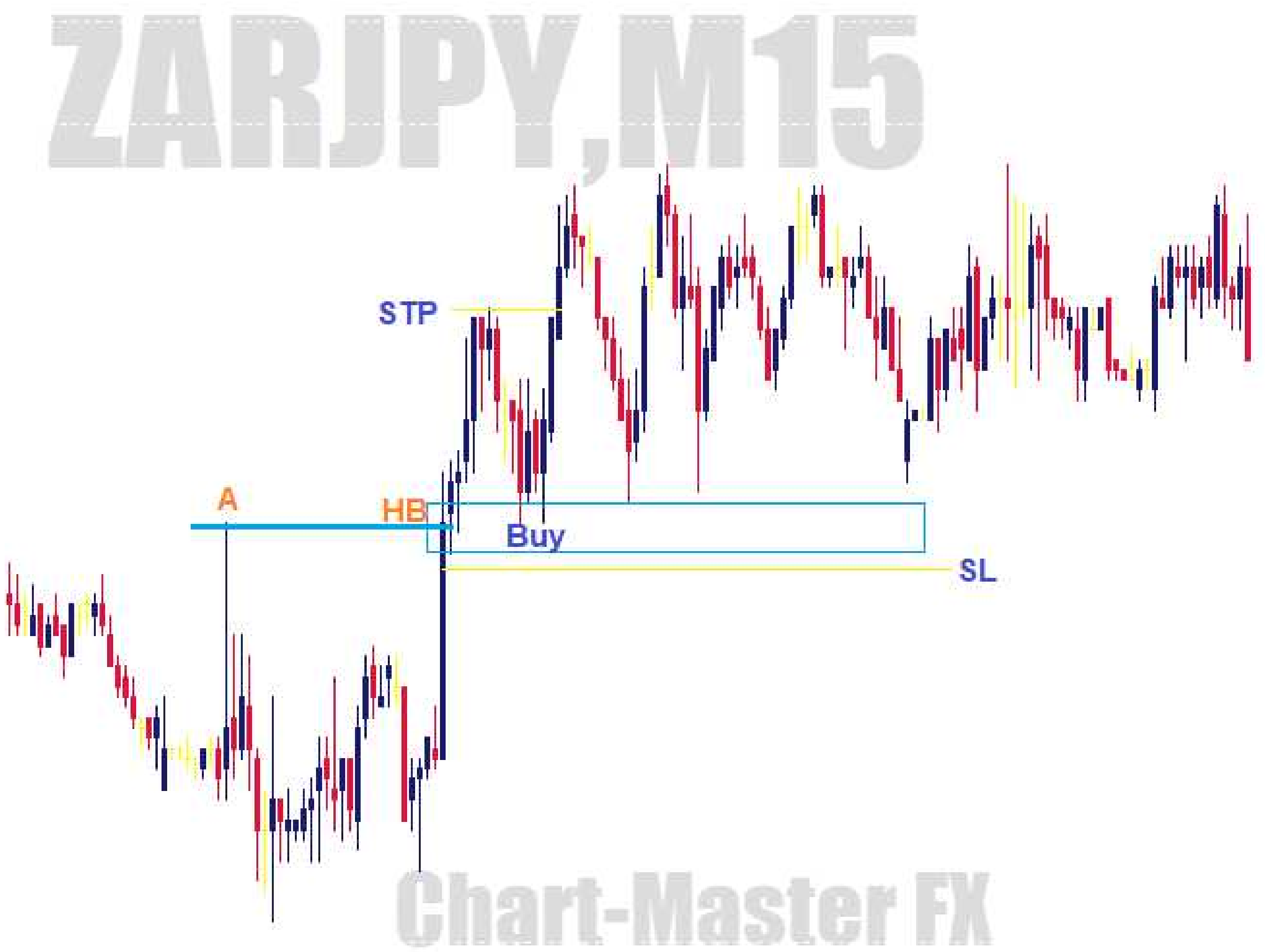
- **V:** The V is flat. This is considered a sign of weakness. It has a valid BE-DP.
- **Momentum:** The momentum is very strong to the downside.
- **Kink:** The kink is perfectly aligned with the magic line.
- **Trade Classification:** This trade is categorized as a medium risk setup (Code 5) since the V is questionable.



Narrow Flag Limit (NFL)

Variables: V, Momentum, Kink.

- **V:** The V meets the requirements of the setup. The V is classified as flat and there is a valid MM-DP.
- **Momentum:** The momentum is strong with some pauses along the way.
- **Kink:** The kink is in the form of a hidden base.
- **Trade Classification:** This trade is categorized as a medium risk setup (Code 6).



Narrow Flag Limit (NFL)

Variables: A, Momentum, Kink.

- **A:** The A is in the form of a shadow and is sharp. There is no clear DP.
- **Momentum:** The momentum of price is strong.
- **Kink:** The kink is in the form of a hidden base.
- **Trade Classification:** This trade is categorized as a low risk setup (Code 4).

Narrow Flag Limit (NFL)

Variables: V, Momentum, Kink.



- **V:** The V meets the requirements. It is classified as flat with a valid DJ-DP.
- **Momentum:** The momentum is questionable since it showed some signs of weakness. The momentum is classified as fairly strong. The approach to the zone of interest was in the form of compression.
- **Kink:** The kink is in the form of a Mera Mera.
- **Trade Classification:** This trade is categorized as a high risk setup (Code 11) since the V is flat and the momentum is questionable.



Narrow Flag Limit (NFL)

Variables: V, Momentum, Kink.

- **V:** The V is sharp and valid. There is no clear DP.
- **Momentum:** The momentum is fairly strong.
- **Kink:** The kink is classified as a Doji.
- **Trade Classification:** This trade is categorized as a high risk setup (Code 10).

Narrow Flag Limit (NFL)

Variables: A, Momentum, Kink.



- **A:** The A is sharp and is in the form of Bullish Engulfing (BE-DP).
- **Momentum:** The momentum is strong.
- **Kink:** The kink is in the form of Bearish Engulfing.
- **Trade Classification:** This trade is categorized as a low risk setup (Code 2).



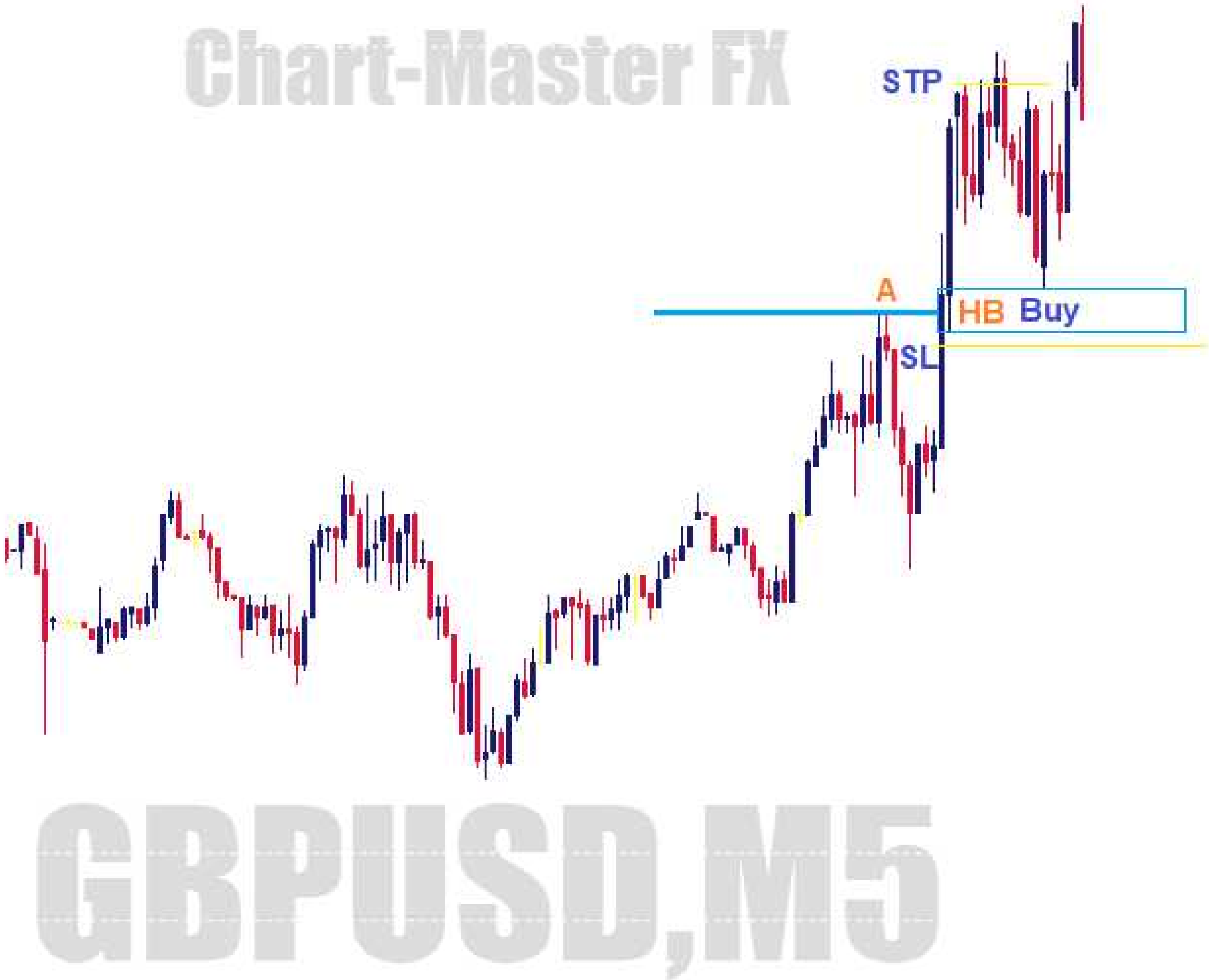
Narrow Flag Limit (NFL)

Variables: V, Momentum, Kink.

- **V:** The V is flat and questionable but it is still considered valid. There is no valid DP on the bottom side of the V.
- **Momentum:**. The momentum is classified as strong.
- **Kink:** The kink is valid and it is classified as a hidden base.
- **Trade Classification:** This trade is categorized as a medium risk setup (Code 8) since the V and the momentum of price is questionable.

Narrow Flag Limit (NFL)

Variables: A, Momentum, Kink.



- **A:** The A is sharp and valid. It is in the form of a DJ-DP.
- **Momentum:** The momentum is very strong and is comprised of few candles. The price started to compress to the decision point of interest which is a good approach.
- **Kink:** The kink is valid and is in the form of a hidden base.
- **Trade Classification:** This trade is categorized as a low risk setup (Code 1).

Narrow Flag Limit (NFL)

Variables: V, Momentum, Kink.



- **V:** The V is a shadow type and is sharp. The bottom side of the V is in the form of a DJ-DP.
- **Momentum:** The acceleration of price is very good to the downside. Thereafter, the price compressed to the decision point of interest.
- **Kink:** The kink is in the form of a Doji.
- **Trade Classification:** This trade is categorized as a low risk setup (Code 1).

Narrow Flag Limit (NFL)

Variables: V, Momentum, Kink.



- **V:** The V is a body candle type and is very sharp. The bottom side of the V has a valid BE-DP.
- **Momentum:** The momentum is strong very strong, almost like a straight line.
- **Kink:** The kink is in the form of a hidden base.
- **Trade Classification:** This trade is categorized as a low risk setup (Code 1).

Narrow Flag Limit (NFL)

Variables: V, Momentum, Kink.



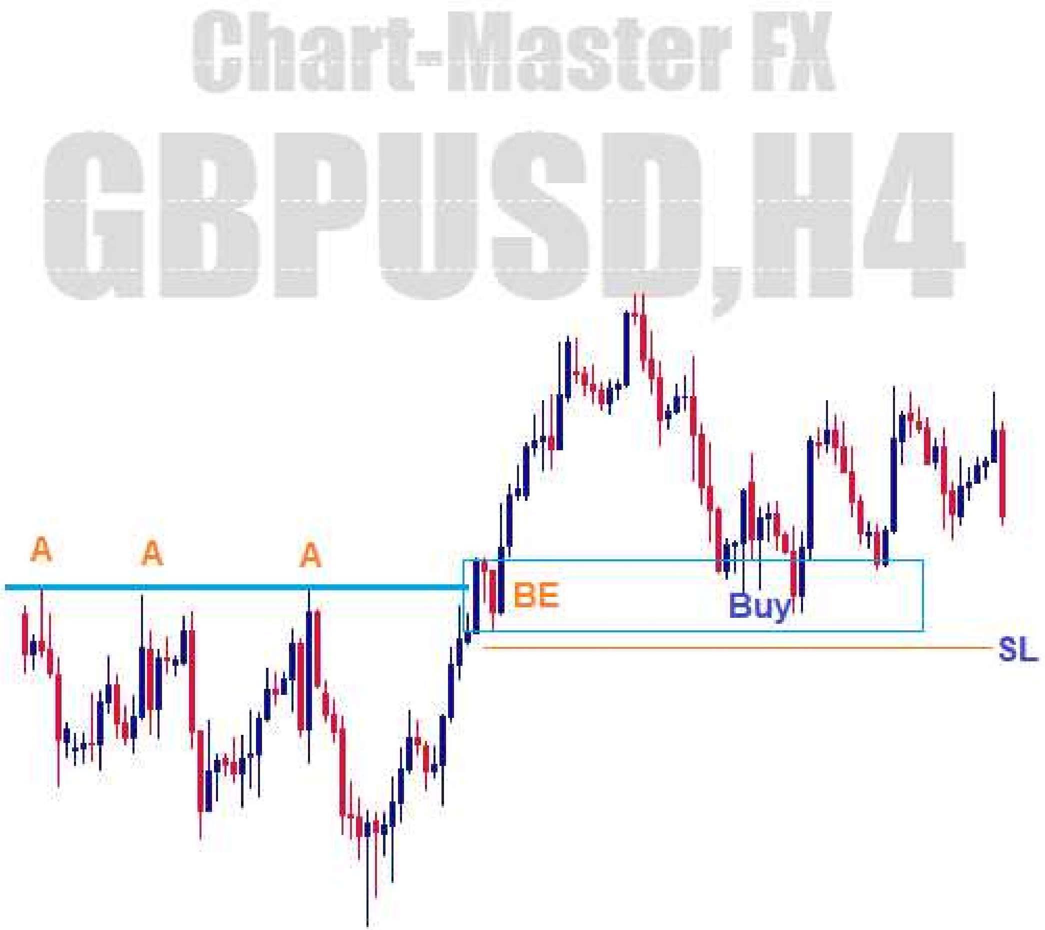
- **V:** The V is in shadow type and is very sharp. The bottom side of the V has a valid DJ-DP.
- **Momentum:** The momentum is strong but with some pauses to the downside. There is a DP just above the kink of interest which might have attracted price in this case.
- **Kink:** There is no valid kink (Red flag).
- **Trade Classification:** This trade is invalid since the kink condition was not met.

Narrow Flag Limit (NFL)

Variables: V, Momentum, Kink.



- **V:** There is a double V in this case. The V is also known as V squared. Both 'V's are in the form of shadows. Both can be classified as sharp but with no definite DP.
- **Momentum:** The acceleration of price is fairly strong.
- **Kink:** The kink is in the form of a Mera Mera.
- **Trade Classification:** This trade is categorized as a high risk setup (Code 10).



Narrow Flag Limit (NFL)

Variables: A, Momentum, Kink.

- **A:** The A is valid. The A is classified as sharp with no clear DP. The price presented a triple A, which is still valid.
- **Momentum:** The momentum of price is fairly strong.
- **Kink:** The price created a kink (RBR) along the magic line. The kink is in the form of Bullish Engulfing.
- **Trade Classification:** This trade is categorized as a high risk setup (Code 10) since the momentum is questionable.



Chapter Three [MK]

M-Kink

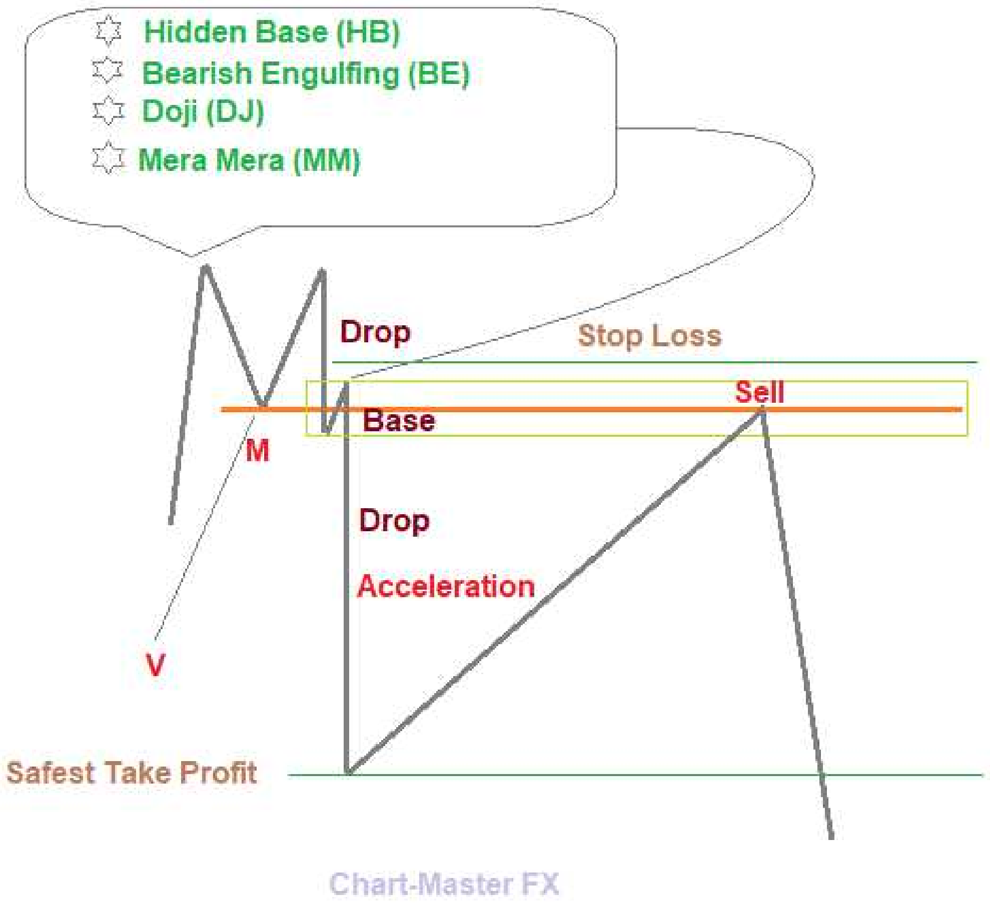
M-Kink

Anatomy

The anatomy of the M kink is comprised of the following components: the M with a sharp V, a kink, and a DBD with acceleration.

This M-Kink SOP is a special type of a NFL. The strategy can be used for a buy setup (W-Kink) as well. However, the W-Kink was not covered in this book.

The decision point should be in the form of a hidden base, bullish/bearish engulfing, Doji or Mera Mera.



M-Kink SWOT Analysis

MK Strengths	MK Weaknesses
• This setup frequently manifests in the market and can produce good trading results if all the conditions are taken into effect when making decisions. • There is a decision point such as the hidden base, bullish/bearish engulfing, Doji or Mera Mera, which allows an exact position to put the stop loss.	It is difficult to assess the sharpness of the V, since the bottom side of the M is often compressed within the M shape.

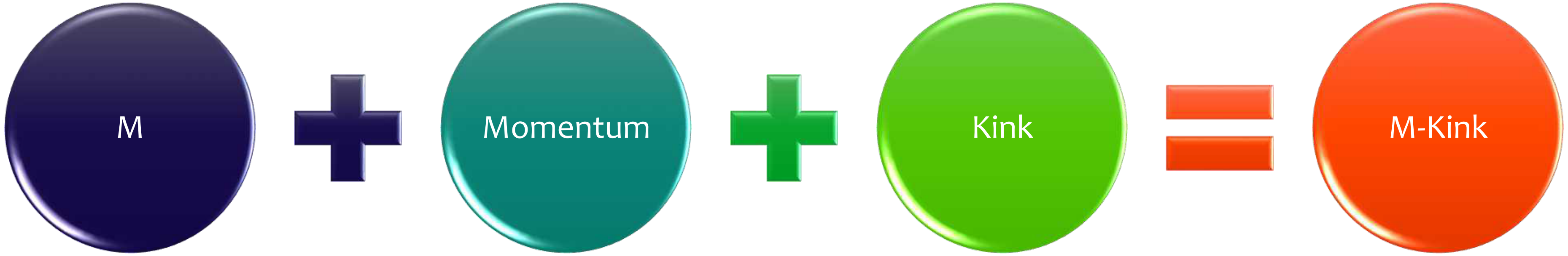
M-Kink Commandments

Rubrics	Elucidations
• There should be a clear M structure. • The bottom side of the M which is V must be sharp. • A kink must be a reaction of the magic line HB, BE, DJ or MM. • The acceleration of price should be heavy.	• The rules of the M-kink setup are almost similar to the rules of the NFL.

M-Kink Variables

Variables

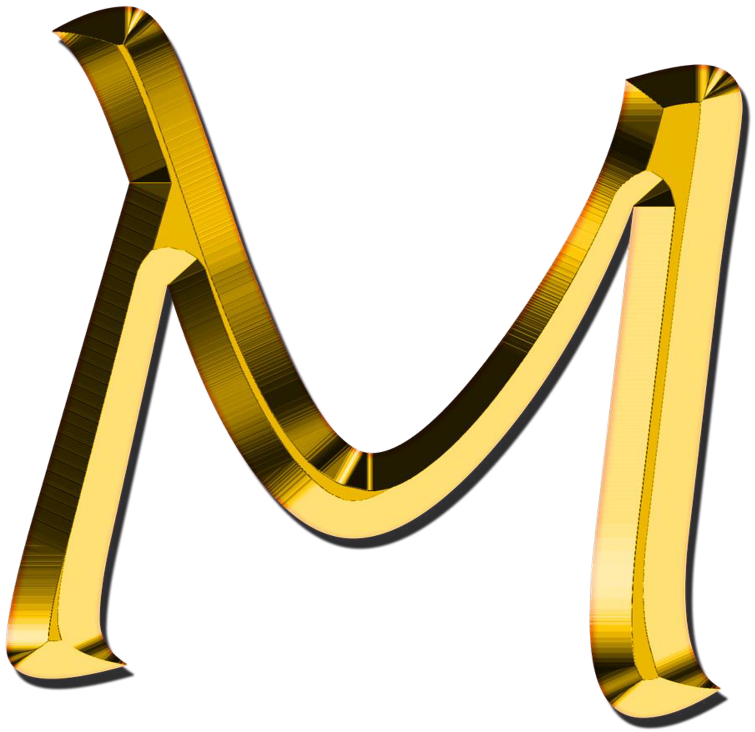
There are generally three variables to consider during trade classification.
The variables are M, Momentum, and Kink.



M Variable

M

The M-Kink is a special version of the NFL. The difference between the typical NFL and the M-kink lies in the structural M-shape. The W-Kink is the buy version of the M-Kink. The principles are the same. However, in this book, the focus is on the M-Kink (Sell Setup). The main crucial component of the M variable is the sharpness of the V. The V needs to be very sharp.



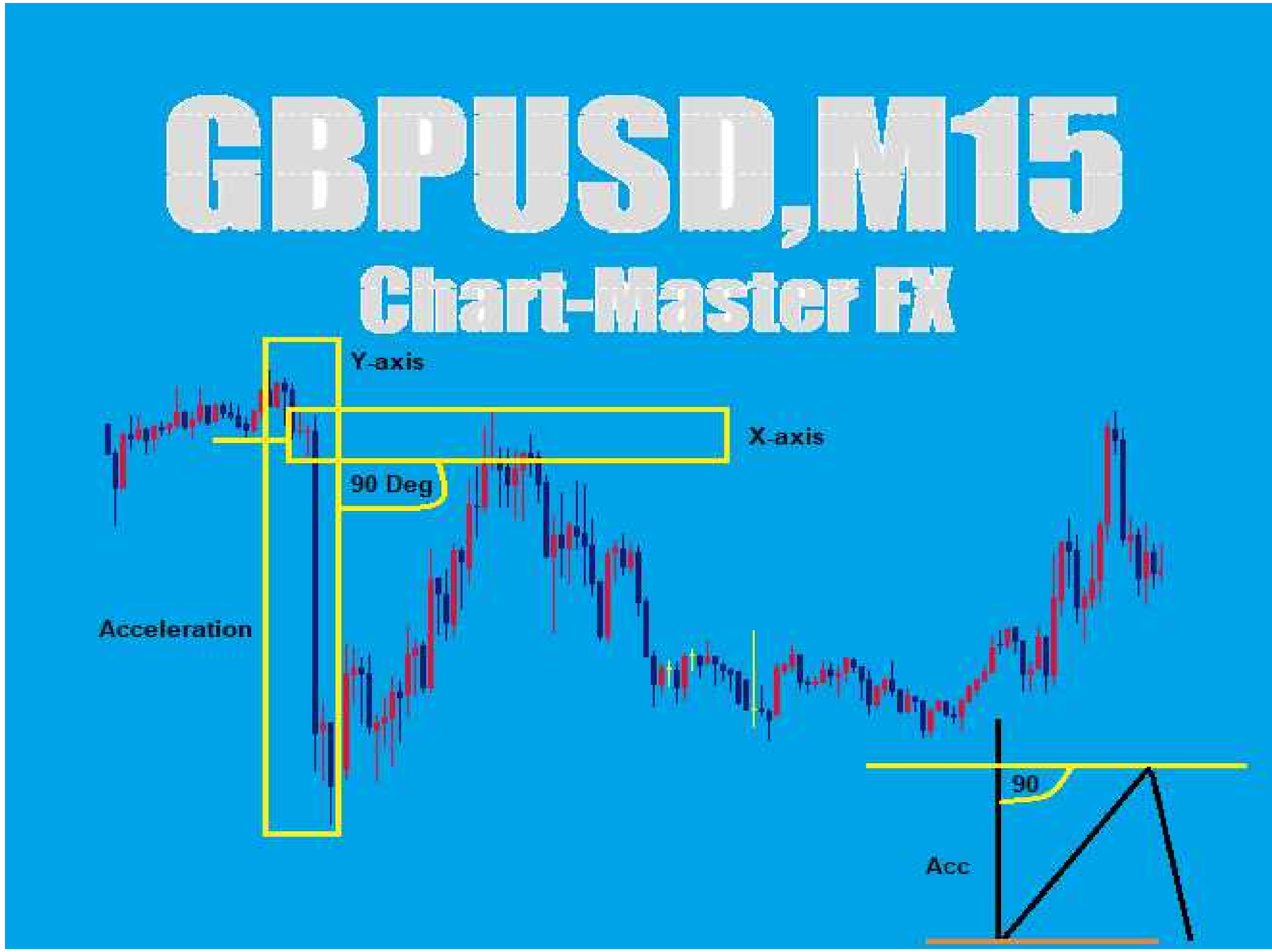
Kink Variable

Kink

In relation to this SOP, a kink is a drop base drop, where the base is a reaction of the support line. The kink should be in the form of an HB, BE, DJ or MM. These decision points are discussed in detail in the introductory section.

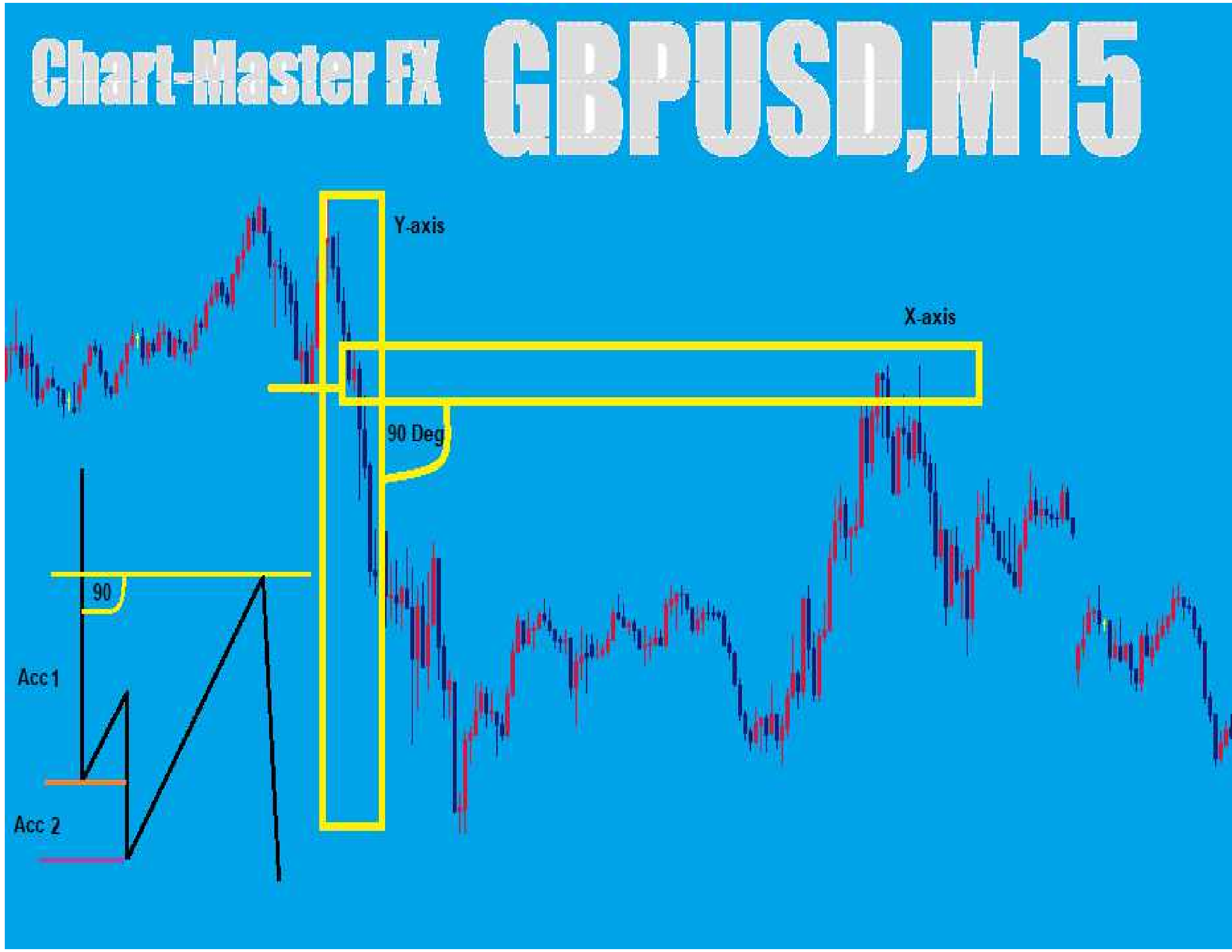
Momentum

A Cartesian plane is a tool that can be used to clearly define momentum. This chart shows a perfect example of how momentum should be like on the chart. There should be a perfect y-axis without any pauses along the way. This type of momentum is categorized as "very strong".



Momentum

This type of momentum is valid but not perfect. The momentum can be subdivided into two parts (ACC 1 and ACC 2). To consider this momentum valid, both ACC 1 and ACC 2 should have straight poles. This type of momentum is classified as “strong”.



Classification Algorithm

M Factors:
(1) Sharp V (SV), Flat V (FV) .
(2) V candle type (BE, DJ, MM) (Yes, No).
(3) V/A Body Candle, Wick Candle.

Momentum (MM) Factors: Very Strong (VS), Strong (S) and Fairly Strong (FS).

Kink: Valid kink (VK) (HB, BE, DJ, MM). Invalid kink (IK).

TC = Trade Classification.

	1	2	3	4	5	6	7	8	9	10	11	12
M	SV/ Yes	SV/ Yes	SV/ No	SV/ No	FAV/ Yes	FV/ Yes	FV/ No	FV/ No	SV/ Yes	SV/ No	FV/ Yes	FV/ No
MM	VS	S	VS	S	VS	S	VS	S	FS	FS	FS	FS
Kink	VK	VK	VK	VK	VK	VK	VK	VK	VK	VK	VK	VK
TC	Low Risk	Low Risk	Low Risk	Mid Risk	Mid Risk	Mid Risk	Mid Risk	Mid Risk	Mid Risk	High Risk	High Risk	High Risk

Classification Description

Low Risk

The kink variable is static in this strategy. This implies that the trade can only be taken if there is a valid kink (HB, BE, DJ, MM). As shown on the classification table, a setup can be considered to be a low risk trade if;

(a) It has a sharp V with a valid DP (BE, DJ, MM) and a very strong momentum (Code 1).

(b) It has a sharp V with a valid DP (BE, DJ, MM), and strong momentum (Code 2).

(c) It has a sharp V with an invalid DP (BE, DJ, MM), and a very strong momentum (Code 3).

(d) It has a sharp V with an invalid DP (BE, DJ, MM), and a strong momentum (Code 4)

Medium Risk

Allowing the variable kink to be constant. A trade can be classified as a medium risk trade if;

(a) It has a flat V with a valid DP, and a very strong momentum (Code 5).

(b) It has a flat V with a valid DP and strong momentum (Code 6).

(c) It has a flat V with no valid DP, and a very strong momentum (Code 7).

(d) It has a flat A/V with an invalid DP, and strong momentum (Code 8).

High Risk

Letting the variable kink constant. A trade can be classified as a high risk trade if;

(a) It has a sharp V with a valid DP, and a fairly strong momentum (Code 9).

(b) c) It has a sharp V with an invalid DP, and a fairly strong momentum (Code 10).

(c) It has a flat V with a valid DP, and a fairly strong momentum (Code 11).

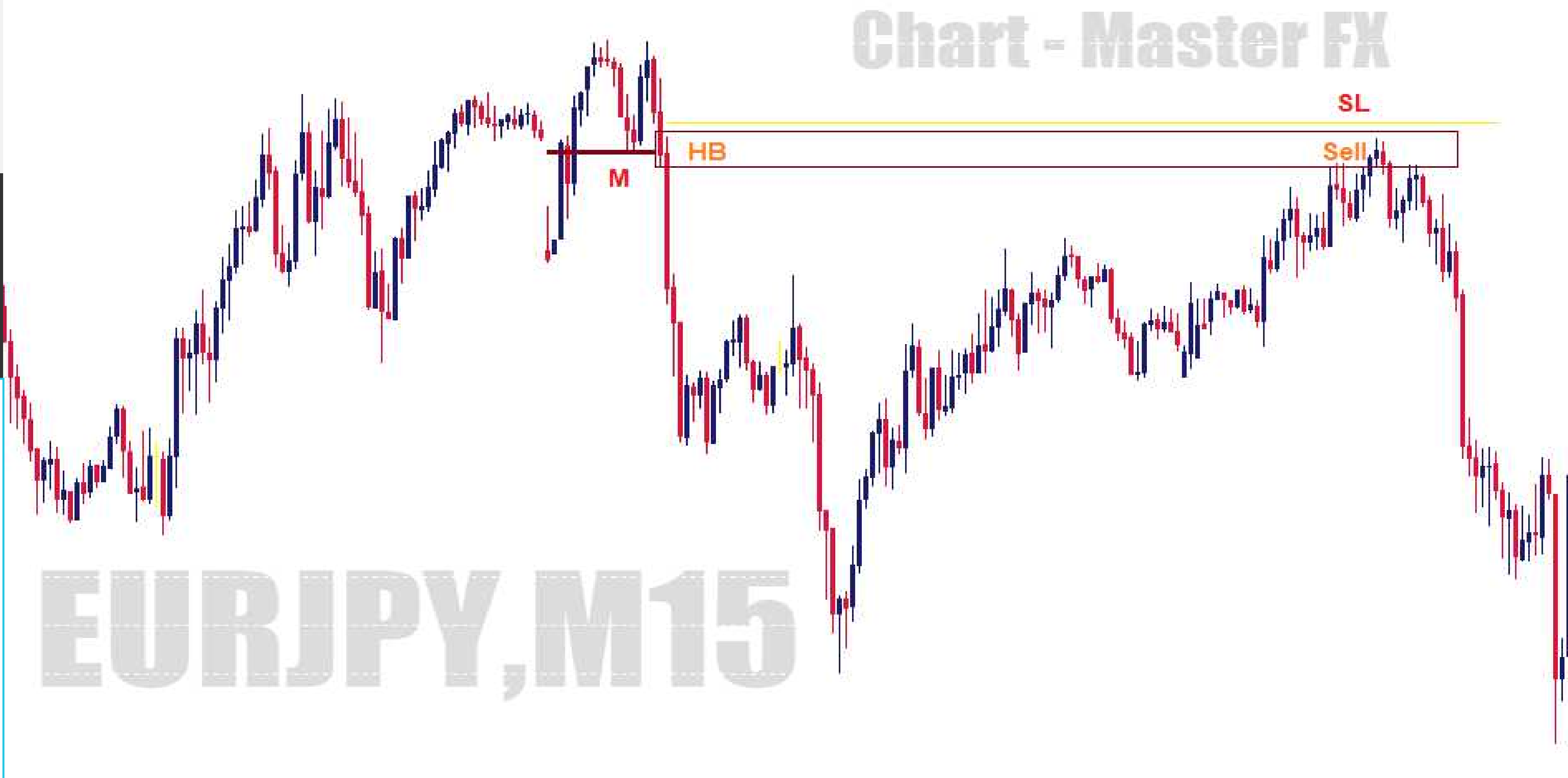
(d) It has a flat A/V with an invalid DP, and a fairly strong momentum (Code 12).

Chart Examples

M-Kink(MK)

Variables: M, Momentum, Kink.

- **M:** The M is clear and its bottom is sharp. It has a valid BE-DP.
- **Momentum:** The momentum is strong.
- **Kink:** There is a hidden base kink aligned with the bottom of the M.



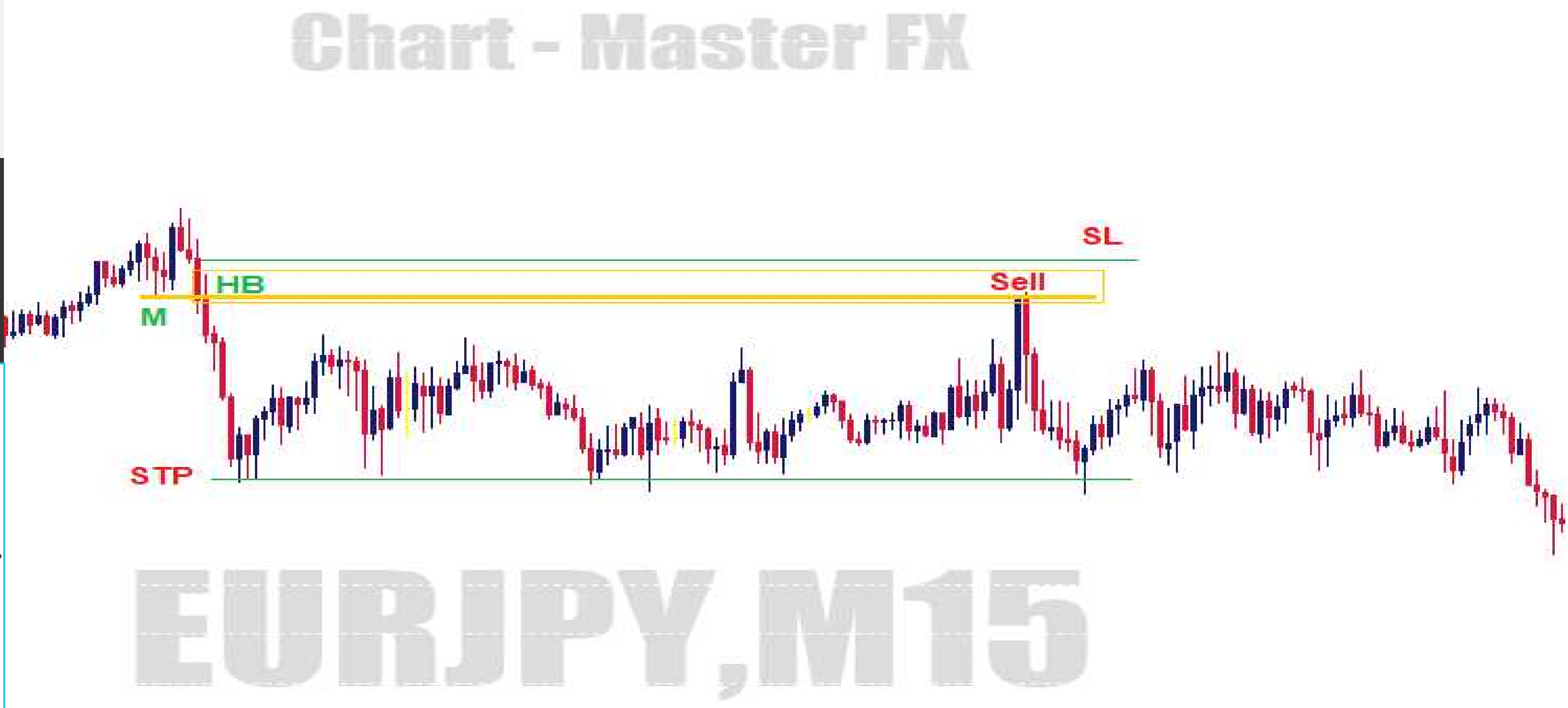
- **Trade Classification:** This trade is categorized as a low risk setup (Code 2).

- The price compressed to the decision point of interest, which is a good approach.

M-Kink(MK)

Variables: M, Momentum, Kink.

- **M:** The M is clear and its bottom side is sharp. It is in the form of a BE-DP.
- **Momentum:** The momentum is very strong.
- **Kink:** There is a hidden base kink aligned with the bottom of the M.



- **Trade Classification:** This trade is categorized as a low risk setup (Code 1).

- The price took time to come back to the zone of interest, which might be a sign of weakness.

M-Kink(MK)



Variables: M, Momentum, Kink.

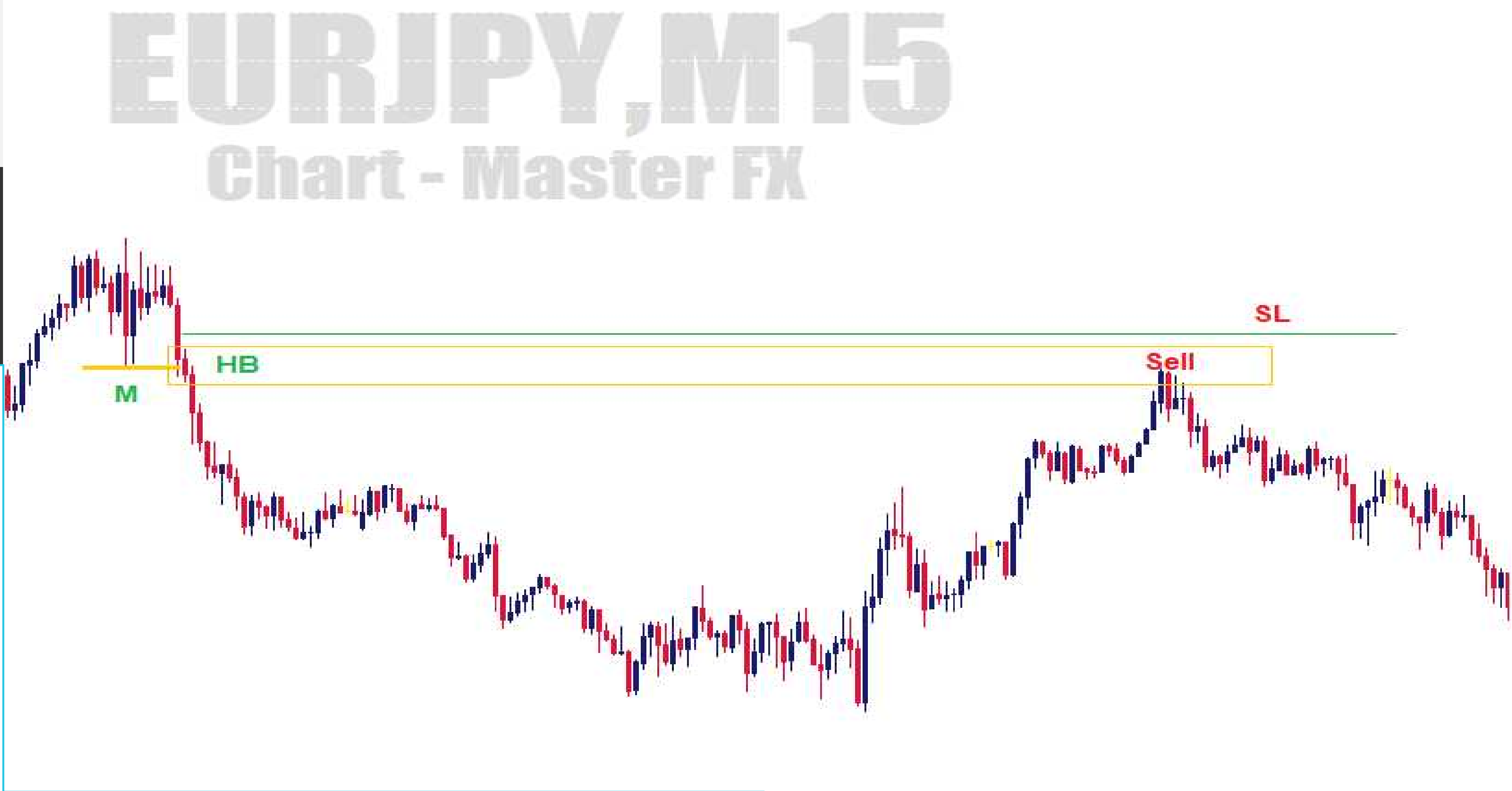
- **M:** The V side of the M is sharp. The bottom side of the M is in the form of BE-DP.
- **Momentum:** The acceleration of price is very strong to the downside.
- **Kink:** There is a Doji kink aligned with the M.

- **Trade Classification:** This trade is categorized as a low risk setup (Code 1).

- The approach of price is in the form of slow motion, which is a good sign.

M-Kink (MK)

Variables: M, Momentum, Kink.



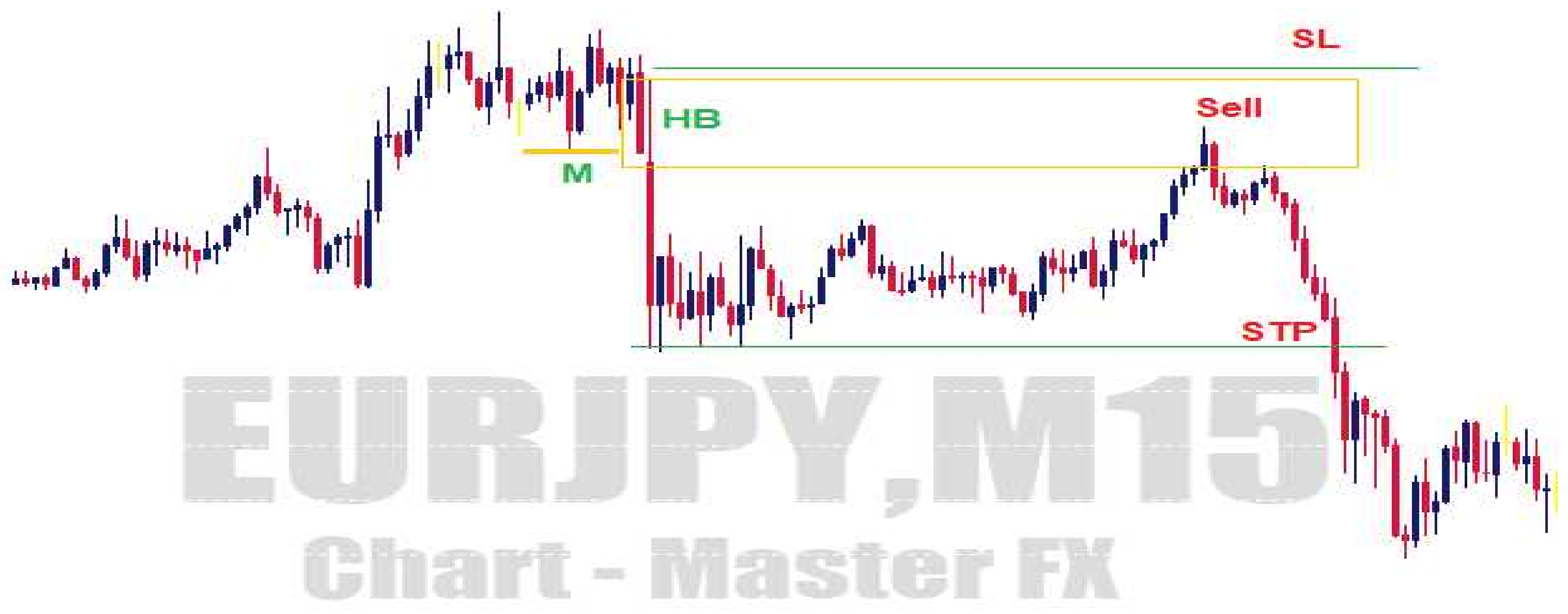
- **M:** The M shape is clear, the bottom V of the M is in the form of wicks and is sharp. There is no valid DP.
- **Momentum:** The momentum of price to the downside is weak.
- **Kink:** There is a hidden base kink, which is valid.

- **Trade Classification:** This trade is invalid.

- The reason why this trade is invalidated is because the momentum of price is too weak to the downside. .

M-Kink(MK)

Variables: M, Momentum, Kink.



- **M:** The M shape is clear and sharp. There is no valid DP at the V side of the M.
- **Momentum:** The acceleration of price is very strong southwards.
- **Kink:** There is a hidden base kink perfectly aligned with the bottom V of the M.

- **Trade Classification:** This trade is categorized as a low risk setup (Code 3).

- The price approached the zone of interest in the form of compression.

M-Kink (MK)

Variables: M, Momentum, Kink.



- **M:** The M shape is valid and the base of the M is flat. There is a valid BE-DP.
- **Momentum:** The momentum of price is strong to the downside.
- **Kink:** The kink is in the form of a hidden base.

- **Trade Classification:** This trade is categorized as a medium risk setup (Code 8).

- The approach of price is good.

M-Kink(MK)

Variables: M, Momentum, Kink.



- **M:** The bottom V of the M is in the form of wicks and is flat. There is no clear DP on the base of the M.
- **Momentum:** The acceleration is fairly strong. It started to weaken as the price continued going south.
- **Kink:** The hidden base kink was created during the formation of the M.

- **Trade Classification:** This trade is categorized as a high risk setup (Code 12).

- This trade is categorized as a high risk setup since the momentum is questionable and the V is flat.

M-Kink(MK)

Variables: M, Momentum, Kink.



- **M:** The M is valid and is classified as sharp. There is a valid DJ-DP.
- **Momentum:** The momentum of price is fairly strong.
- **Kink:** The kink is in the form of a BE/HB.

- **Trade Classification:** This trade is categorized as a high risk setup (Code 9).

- The reason why this trade is a high risk setup is because the momentum is questionable.

M-Kink(MK)

Variables: M, Momentum, Kink.



- **M:** The M structure is valid. The bottom side of the M is flat. The is a valid BE-DP.
- **Momentum:** The acceleration of price is strong.
- **Kink:** There is a bearish engulfing kink at the apex of the WFL.

- **Trade Classification:** This trade is categorized as a medium risk setup (Code 6).

- The price compressed to the decision point of interest, which is a good approach.

M-Kink (MK)

Variables: M, Momentum, Kink.



- **M:** The M meets the requirements and is sharp. It is in the form of a BE-DP.
- **Momentum:** The momentum is fairly strong southwards.
- **Kink:** The kink is in the form of a Doji.

- **Trade Classification:** This trade is categorized as a high risk setup (Code 9).

- This setup has two support touches instead of one, which formulated the M structure.

M-Kink(MK)

Variables: M, Momentum, Kink.



- **M:** The M structure is valid. The bottom side of the M is flat and has a valid BE-DP.
- **Momentum:** The momentum is strong.
- **Kink:** There is a hidden base kink aligned with the bottom V of the M.

- **Trade Classification:** This trade is categorized as a medium risk setup (Code 8).

- The price made a quick retest to the decision point of interest.

M-Kink (MK)

Variables: M, Momentum, Kink.



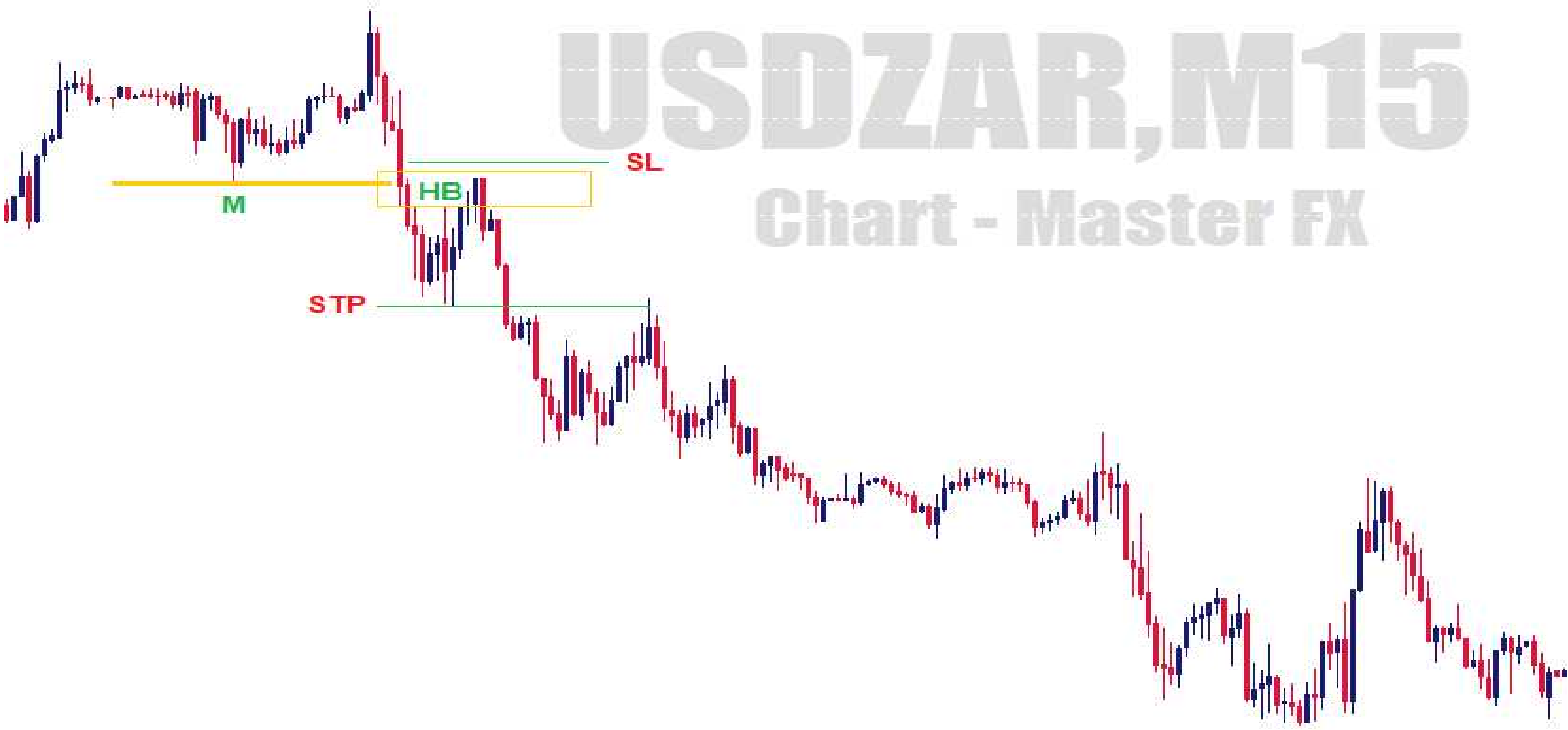
- **M:** The M structure is valid. The V part of the M is sharp and has a valid DJ-DP.
- **Momentum:** The price accelerated very well southwards. The momentum is classified as strong.
- **Kink:** The kink is in the form of a Doji.

- **Trade Classification:** This trade is categorized as a low risk setup (Code 2).

- Although the acceleration decreased as the price continued gong downwards, it is still acceptable since the first acceleration is good.

M-Kink(MK)

Variables: M, Momentum, Kink.



- **M:** The M formation is clear. The V is classified as sharp and has no valid DP.
- **Momentum:** The momentum of price is very strong. The price decided to do a quick retest to the zone of interest.
- **Kink:** A hidden base kink is created along the magic line.

- **Trade Classification:** All the boxes for this setup were ticked. Therefore, the trade is classified as low risk setup (Code 3).

- The price made a quick retest to the decision point.

M-Kink (MK)

Variables: M, Momentum, Kink.

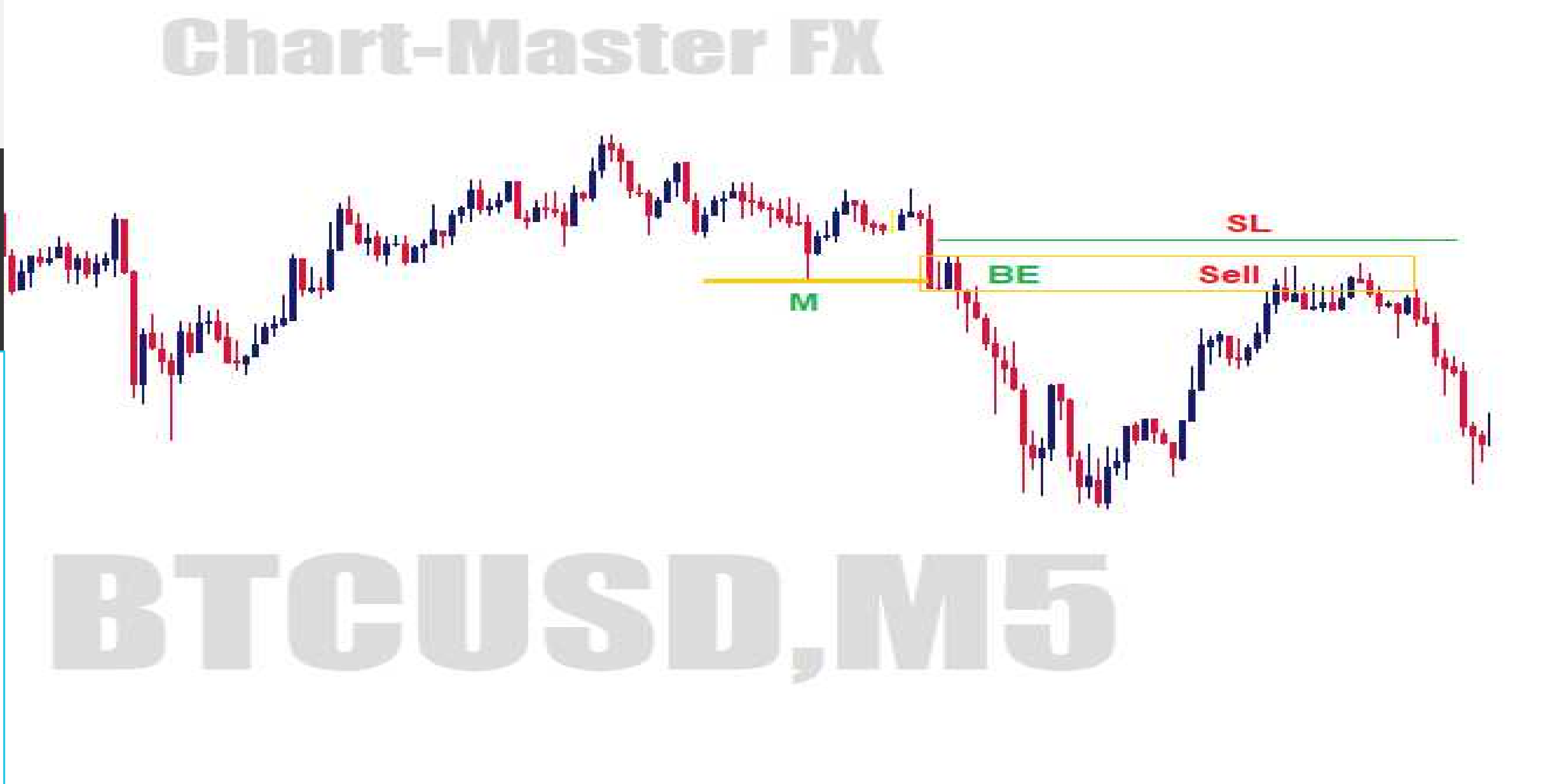


- **M:** The M structure is valid. The bottom side of the M is flat and has no clear DP.
- **Momentum:** The momentum to the downside is strong.
- **Kink:** The kink is in the form of a hidden base.

- **Trade Classification:** Since there are some variables that were compromised in this trade, this setup is classified as a medium risk trade (Code 8).

- The price made a quick retest to the zone of interest.

M-Kink(MK)



Variables: M, Momentum, Kink.

- **M:** The bottom side of the M is in the form of a wick and is sharp. There is no valid DP.
- **Momentum:** The momentum of price is fairly strong southwards.
- **Kink:** The kink is in the form of bearish engulfing.

- **Trade Classification:** This trade is categorized as a high risk setup (Code 10).

- The trade is classified as high risk because the momentum is questionable.

M-Kink (MK)

Variables: M, Momentum, Kink.



- **M:** The M structure is clear and has a sharp V. The bottom side of the M has a valid DJ-DP.
- **Momentum:** The momentum is weak.
- **Kink:** There is a Doji kink aligned with the bottom side of the M.

- **Trade Classification:** This trade is invalid unless if the trade is taken during a quick retest move.

- The orders might have been already been consumed if the trade would have been taken on the second time back after the quick retest.

M-Kink(MK)



Variables: M, Momentum, Kink.

- **M:** The bottom part of the M is in the form of a wick and it is very sharp. There is a valid BE/DJ-DP.
- **Momentum:** The momentum is strong with some pauses along the way.
- **Kink:** A kink is created during the formation of the M and it is the form of bearish engulfing.

- **Trade Classification:** This trade is categorized as a low risk setup (Code 2).

- The price compressed well to the zone of interest.

M-Kink(MK)

Variables: M, Momentum, Kink.



- **M:** The bottom V of the M is sharp with no clear DP.
- **Momentum:** The acceleration of price is strong.
- **Kink:** A kink is created along the magic line which makes it valid.

- **Trade Classification:** Although the momentum is questionable. This setup is classified as a low risk trade (Code 4).

- The price took time to visit back to the zone of interest.

M-Kink(MK)

Variables: M, Momentum, Kink.



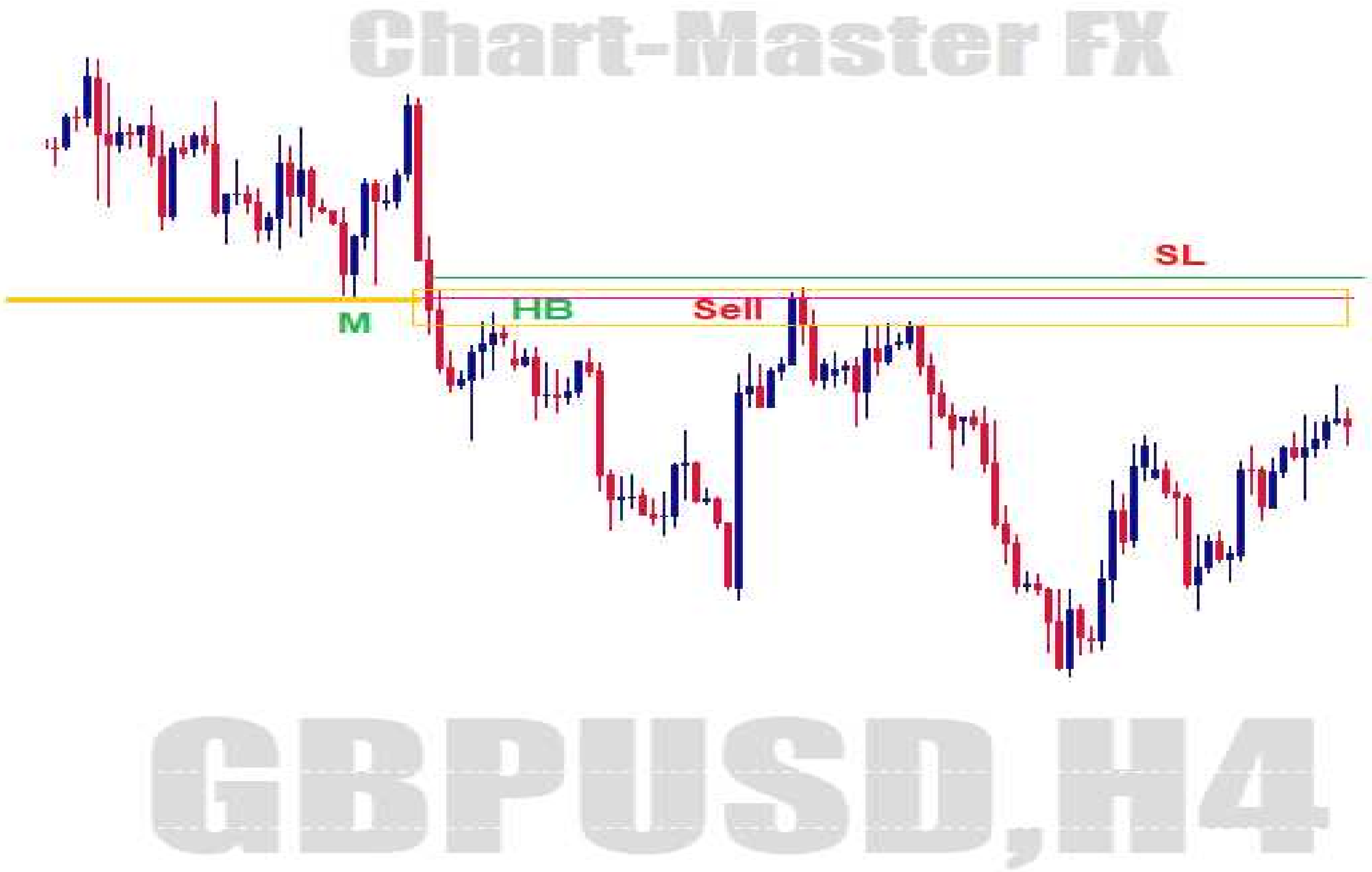
- **M:** The M structure is valid and sharp. There is no obvious DP on the bottom side of the M.
- **Momentum:** The acceleration of price is very strong to the downside.
- **Kink:** During the creation of the M, a bearish engulfing is created.

- **Trade Classification:** All the box were ticked during checkup. In this regard, this trade is classified as a low risk setup (Code 3).

- The approach of price to the decision point of interest is good.

M-Kink (MK)

Variables: M, Momentum, Kink.



- **M:** The M structure is clear. The base of the M is flat. There is no valid DP.
- **Momentum:** The momentum is too weak.
- **Kink:** The kink is in the form of a hidden base.

- **Trade Classification:** The trade is classified as invalid unless if the trade is taken at quick retest.

- The approach of price to the decision point of interest is not good.



Chapter Four [WFL]

Wide Flag Limit

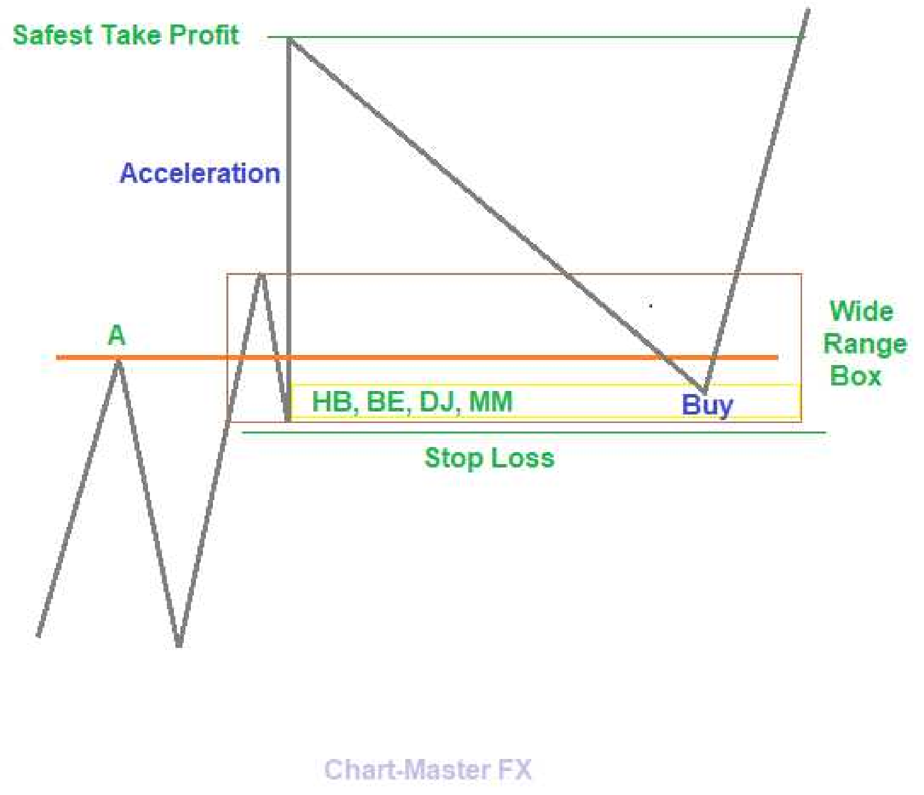
Wide Flag Limit

Buy Anatomy

The WFL is another type of a flag limit. Instead of making a narrow reaction, the price makes a deepest retracement before going up.

The zone is very big to use for placing trades. There are three important levels to consider in this big zone. The first one is the resistance line and the two extreme points of the flag limit. According to the research done by CMF, it was realized that the best zone to place a trade is at the bottom of the wide flag limit.

The bottom side of the wide flag limit should be in the form of a HB,BE, DJ or MM.

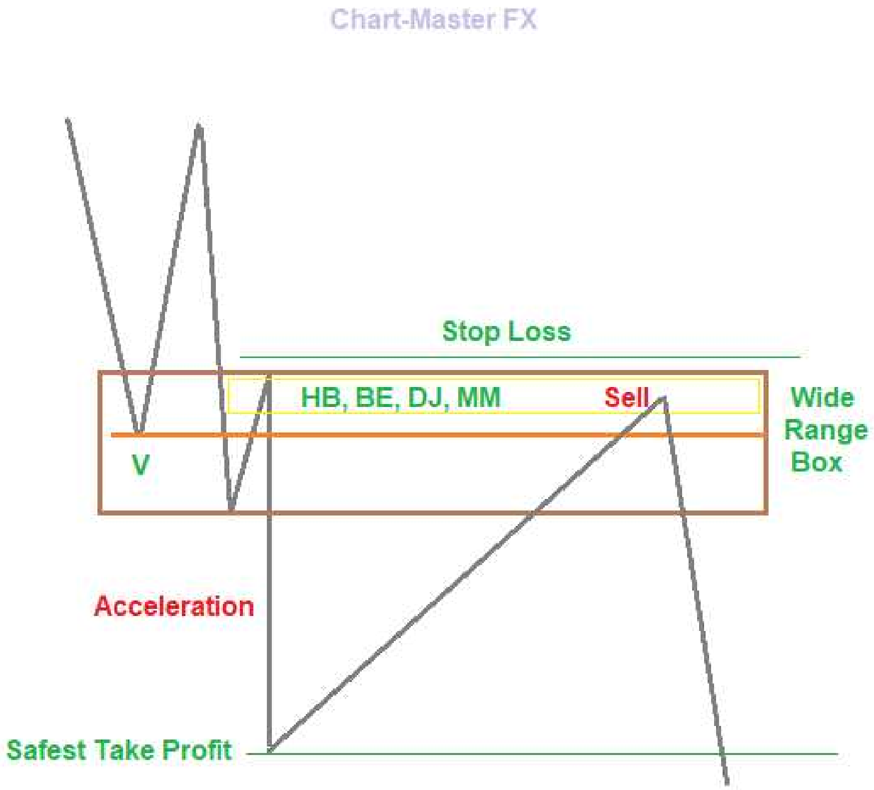


Wide Flag Limit

Sell Anatomy

The main components of a sell setup are follows: sharp V, a wide range box, acceleration, and a decision point at the end of the wide range box.

The extreme side of the wide flag limit should be in the form of an HB, BE, DJ or MM.



Wide Flag Limit SWOT Analysis

WFL Strengths

- The WFL is within the flag limit family.
- The WFL concept has numerous applications in trading that are not presented in this book.

WFL Weaknesses

- The zone of consideration is very wide. To mitigate this weakness, a trade can be placed at the bottom of the wide flag limit.

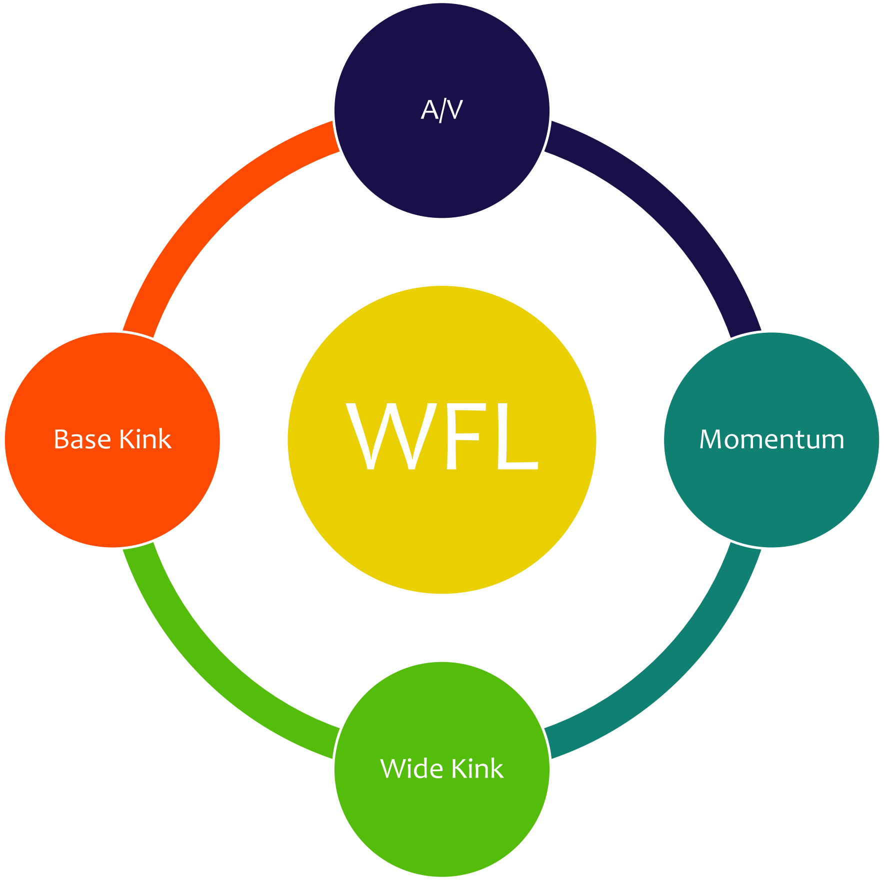
Wide Flag Limit Commandments

Rubrics	Elucidations
• There should be a wide range box.	• There should be a resistance or support line. The price should create a wide range box aligned with the magic line.
• Within the wide range box, there should be a valid decision point	• The decision point is considered valid if it is one of the following: HB, BE,DJ, MM.
• The acceleration should be heavy.	• The acceleration should be in the form of a straight line.

Wide Flag Limit Variables

Variables

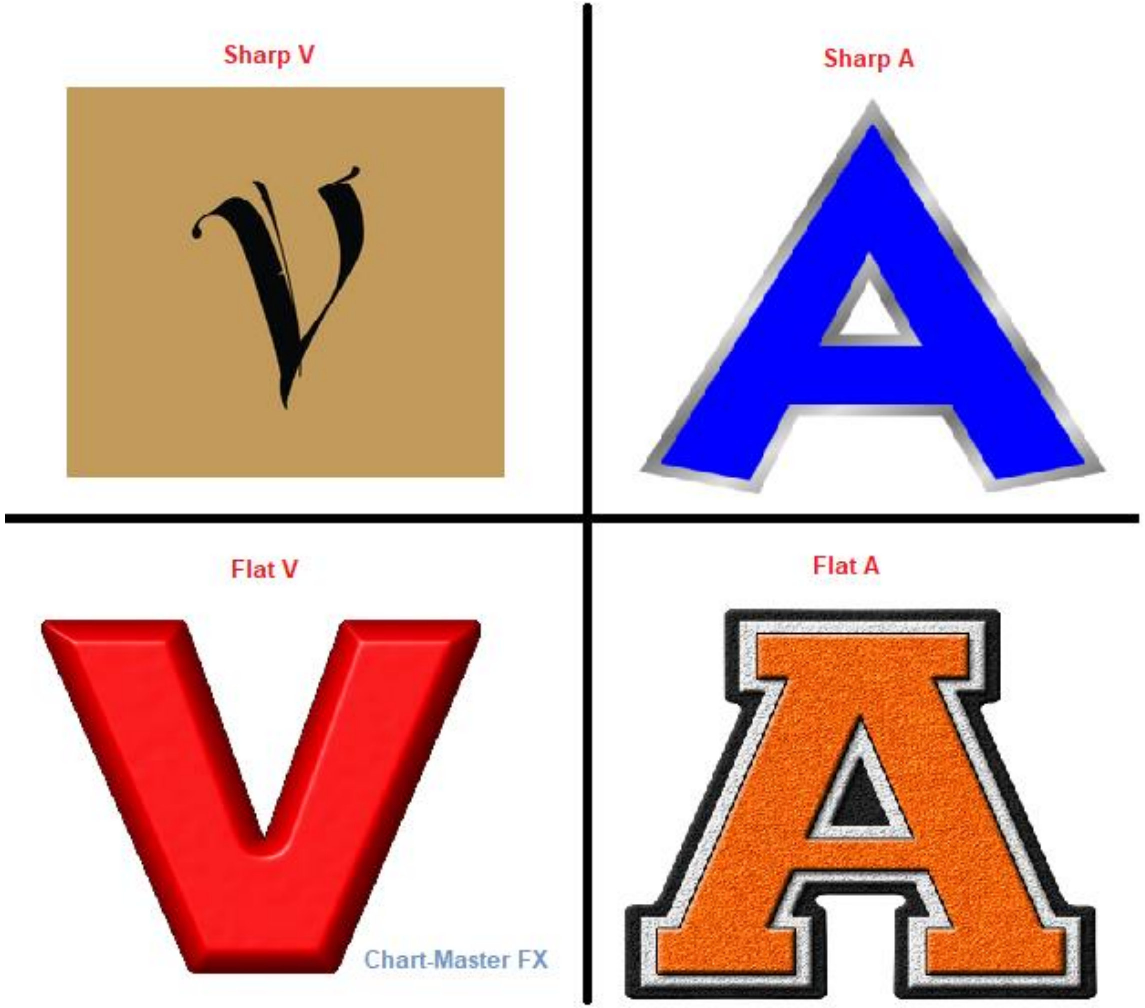
There are generally three variables to consider during trade classification.
The variables are A/V, Momentum, Wide Kink, and Base Kink.



A/V Variable

A/V

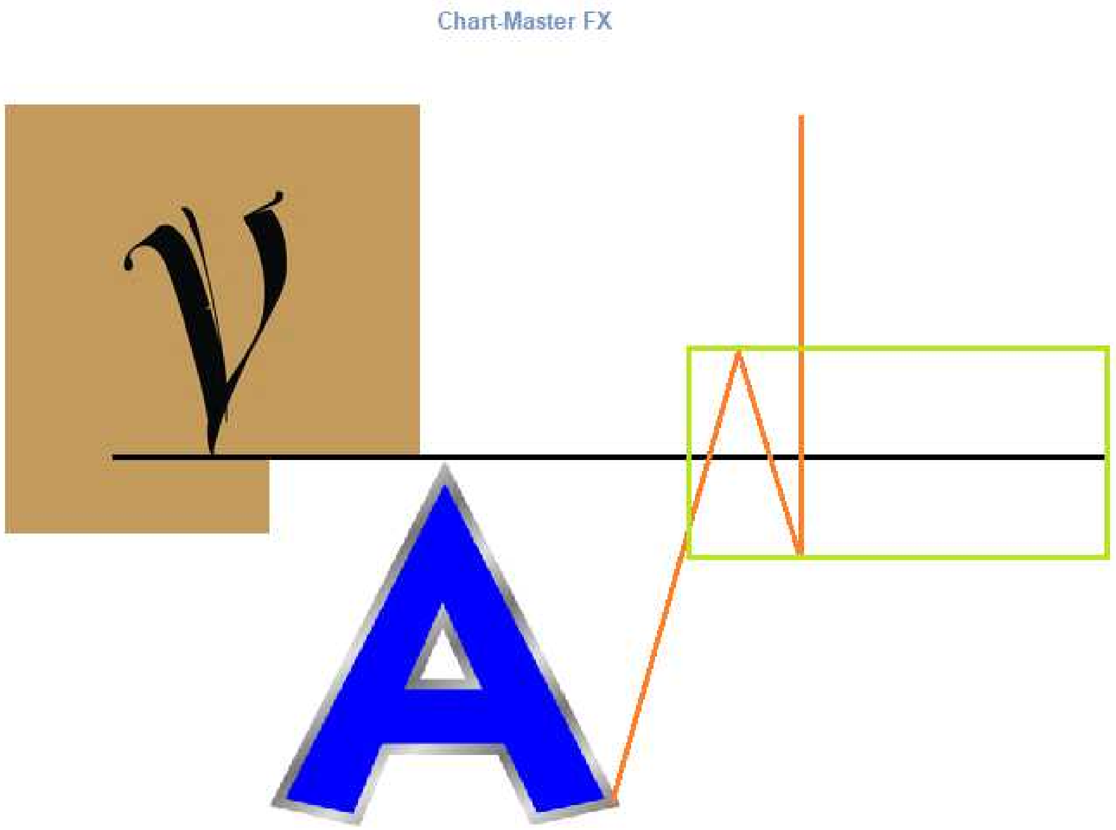
A/V: The V shape is considered when looking for a Sell Setup whereas the A is considered when looking for a Buy Setup.



Wide Kink Variable

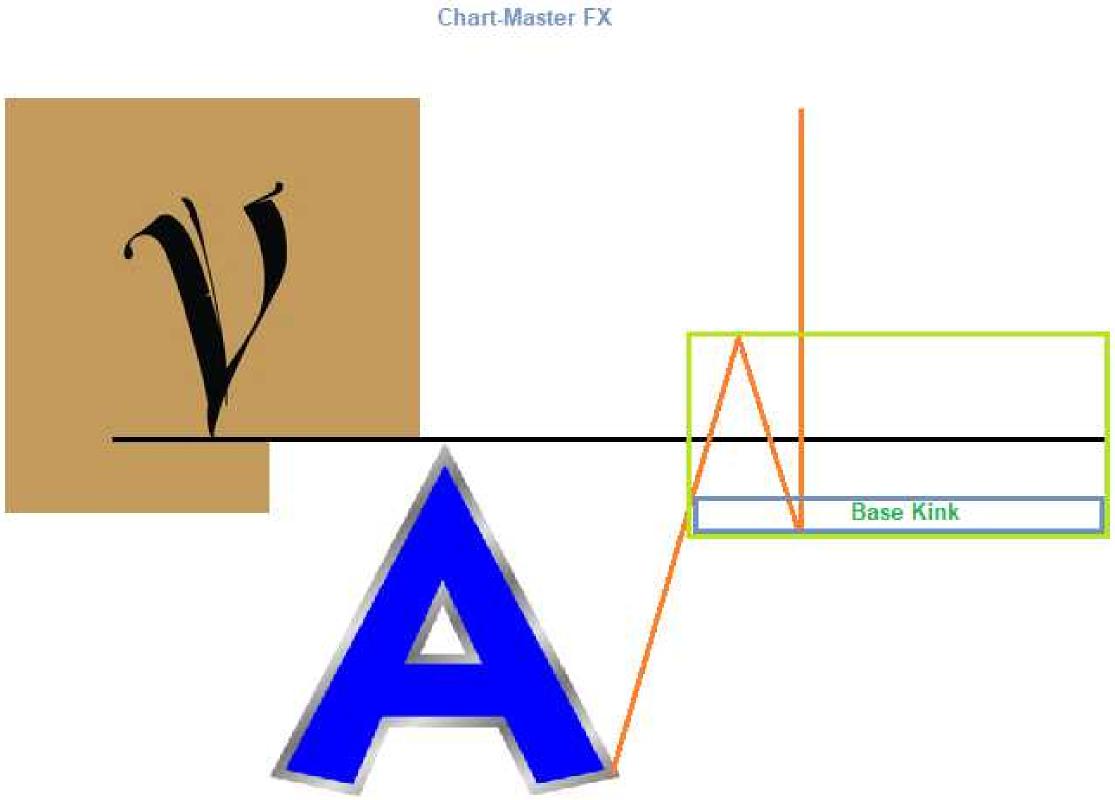
Wide Kink

Wide Kink: The wide kink is a reaction of the price at a support or resistance (SR) line. The price crosses the SR line then retraces back and crosses the line again. Thereafter, the price shoots up. The zone marked in lime color is what is called a wide kink.



Base Kink

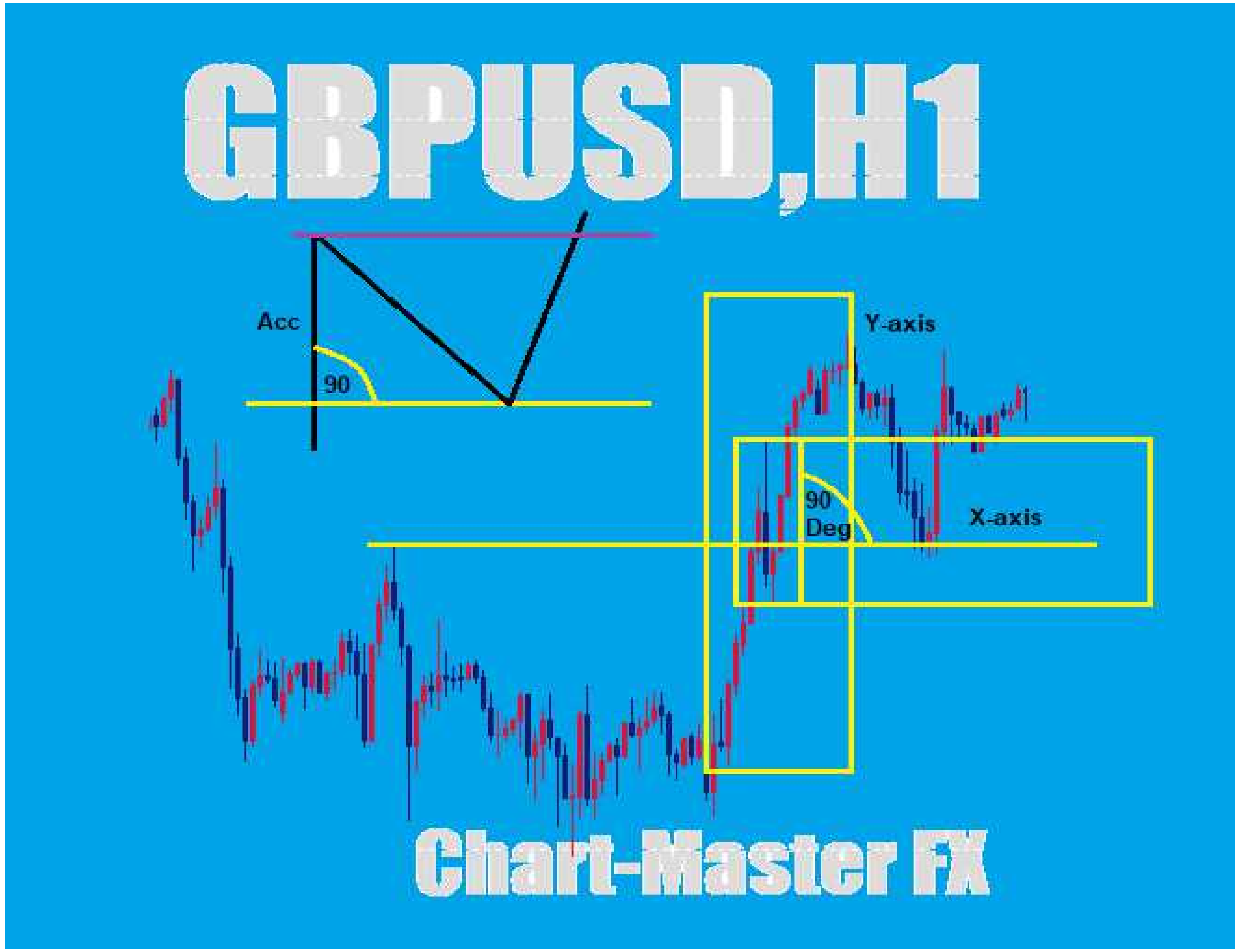
Base Kink: The base kink is a small zone that is found within the wide kink. It is mostly found at the bottom of the wide kink. The base kink can only be valid if it is in the form of an HB, BE, DJ or MM.



WFL Trade Classification

Momentum

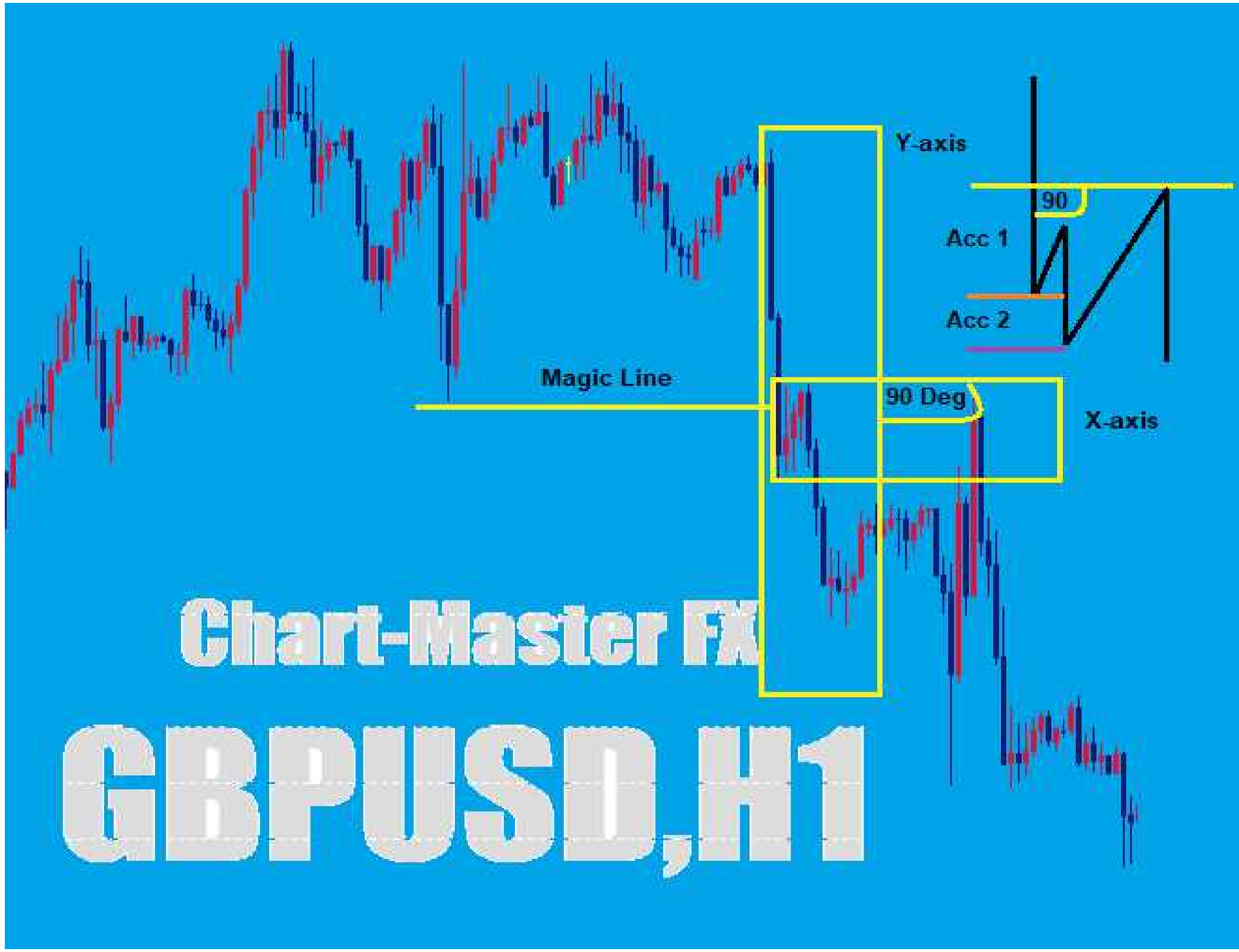
The magic line and WRF should meet at a 90 degree angle. The price should retest soon after creating the straight pole (rally). This type of momentum is classified as “very strong”



WFL Trade Classification

Momentum

The magic line and the WFL should intersect at a 90-degree angle. This type of momentum is sub-divided into two parts ACC 1 and ACC 2. Both accelerations should be in the form of straight lines. This type of momentum is classified as “strong”.



Wide Flag Limit

Classification Algorithm

V/A Factors:
(1) Sharp V/A (SVA), Flat V/A (FVA) .
(2) V/A candle type (BE, DJ, MM) (Yes, No).
(3) V/A Body Candle, Wick Candle.

Momentum Factors: Very Strong (VS), Strong (S) and Fairly Strong (FS).

Base Kink: Valid Base Kink (VBK) (HB, BE, DJ, MM), Invalid Base Kink (IBK).

Wide Kink: Wide Kink Valid (WKV), Wide Kink Invalid (WKI).

TC = Trade Classification.

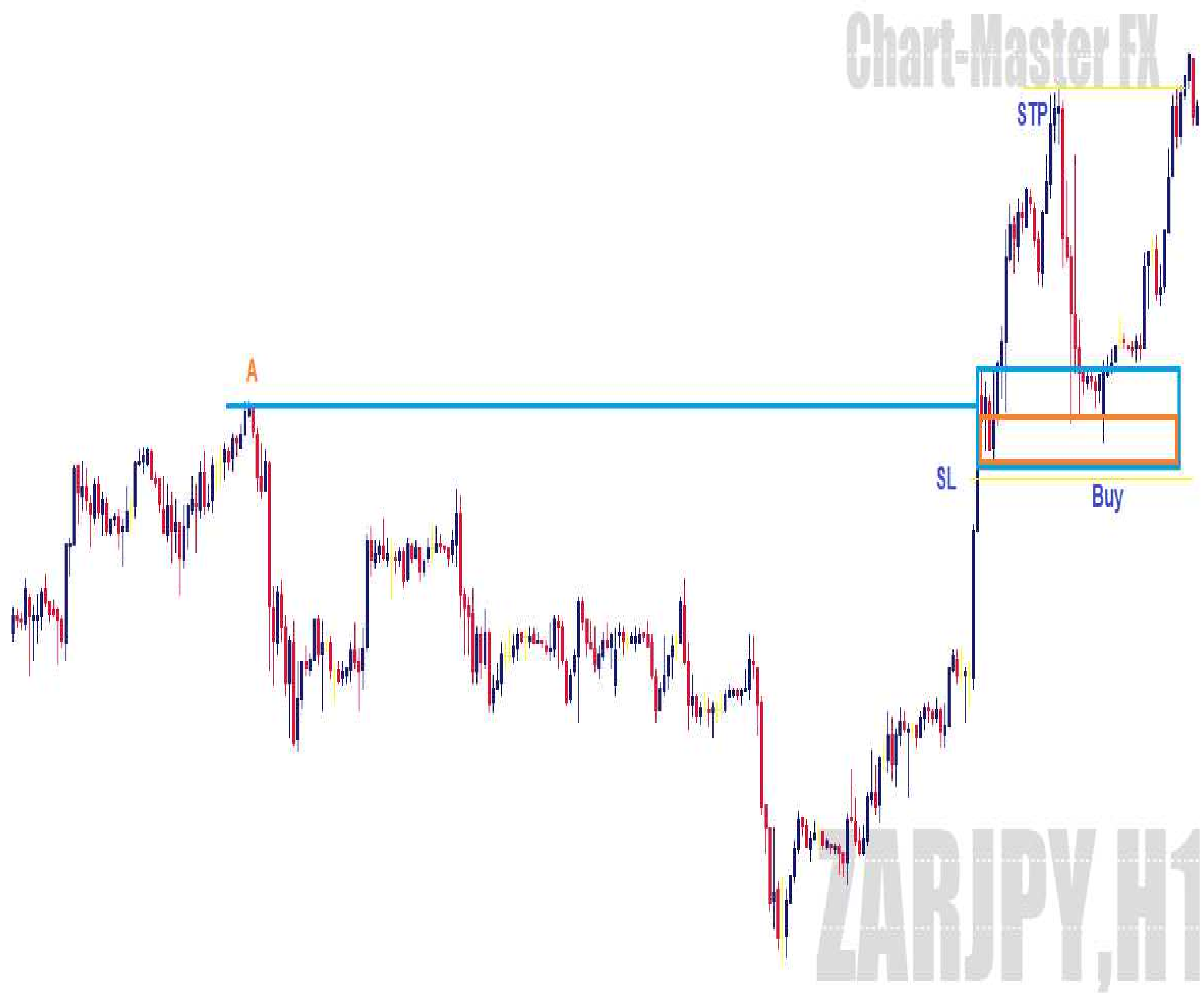
	1	2	3	4	5	6	7	8	9	10	11	12
V/A	SVA/ Yes	SVA/ Yes	SVA/ No	SVA/ No	SVA/ Yes	SVA/ No	FVA/ Yes	FVA/ Yes	FVA/ No	FVA/ Yes	FVA/ No	FVA/ No
MM	VS	S	VS	S	FS	FS	VS	S	VS	FS	S	FS
BK	VBK	VBK	VBK	VBK	VBK	VBK	VBK	VBK	VBK	VBK	VBK	VBK
WK	WKV	WKV	WKV	WKV	WKV	WKV	WKV	WKV	WKV	WKV	WKV	WKV
TC	Low Risk	Low Risk	Low Risk	Mid Risk	Mid Risk	Mid Risk	Mid Risk	Mid Risk	Mid Risk	High Risk	High Risk	High Risk

Classification Description

Low Risk	Medium Risk	High Risk
There are two static variables in this algorithm namely BK and WK. If the setup violates one of these conditions then the trade must be invalidated trade. As shown on the classification table, a trade can be considered to be a low risk setup if; (a) It has a sharp V/A with a valid DP (BE, DJ, MM), and a very strong momentum (Code 1). (b) It has a sharp V/A with a valid DP (BE, DJ, MM), and strong momentum (Code 2). (c) It has a sharp V/A with an invalid DP, and a very strong momentum (Code 3).	Keeping the variables BK and WK constant. A setup can be classified as a medium risk trade if; (a) It has a sharp V/A with an invalid DP, and strong momentum (Code 4). (b) It has a sharp V/A with a valid DP, and a fairly strong momentum (Code 5). (c) It has a sharp V/A with no valid DP, and a fairly strong momentum (Code 6). (d) It has a flat V/A with a valid DP, and a very strong momentum (Code 7). (e) It has a flat V/A with a valid DP, and strong momentum (Code 8). (f) It has a flat V/A with an invalid DP, and a very strong momentum (Code 9).	Keeping the variables BK and WKV constant. A setup can be classified as a high risk trade if; (a) It has a flat V/A with a valid DP, and a fairly strong momentum (Code 10). (b) It has a flat V/A with no valid DP, and a strong momentum (Code 11). (c) It has a flat V/A with an invalid DP, and a fairly strong momentum (Code 12).

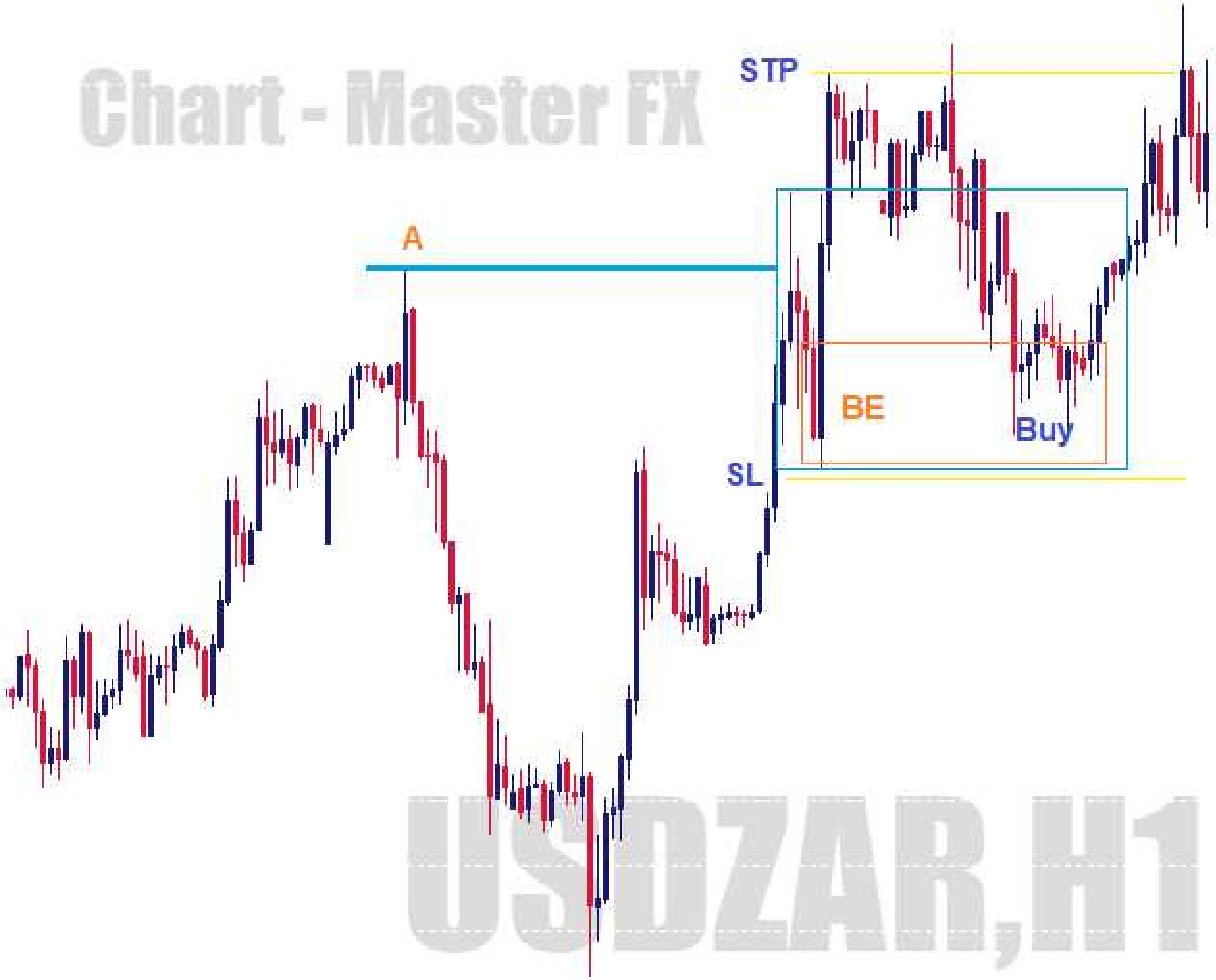
Chart Examples

Wide Flag Limit (WFL)



Variables: A, Momentum, Wide Kink, Base Kink .

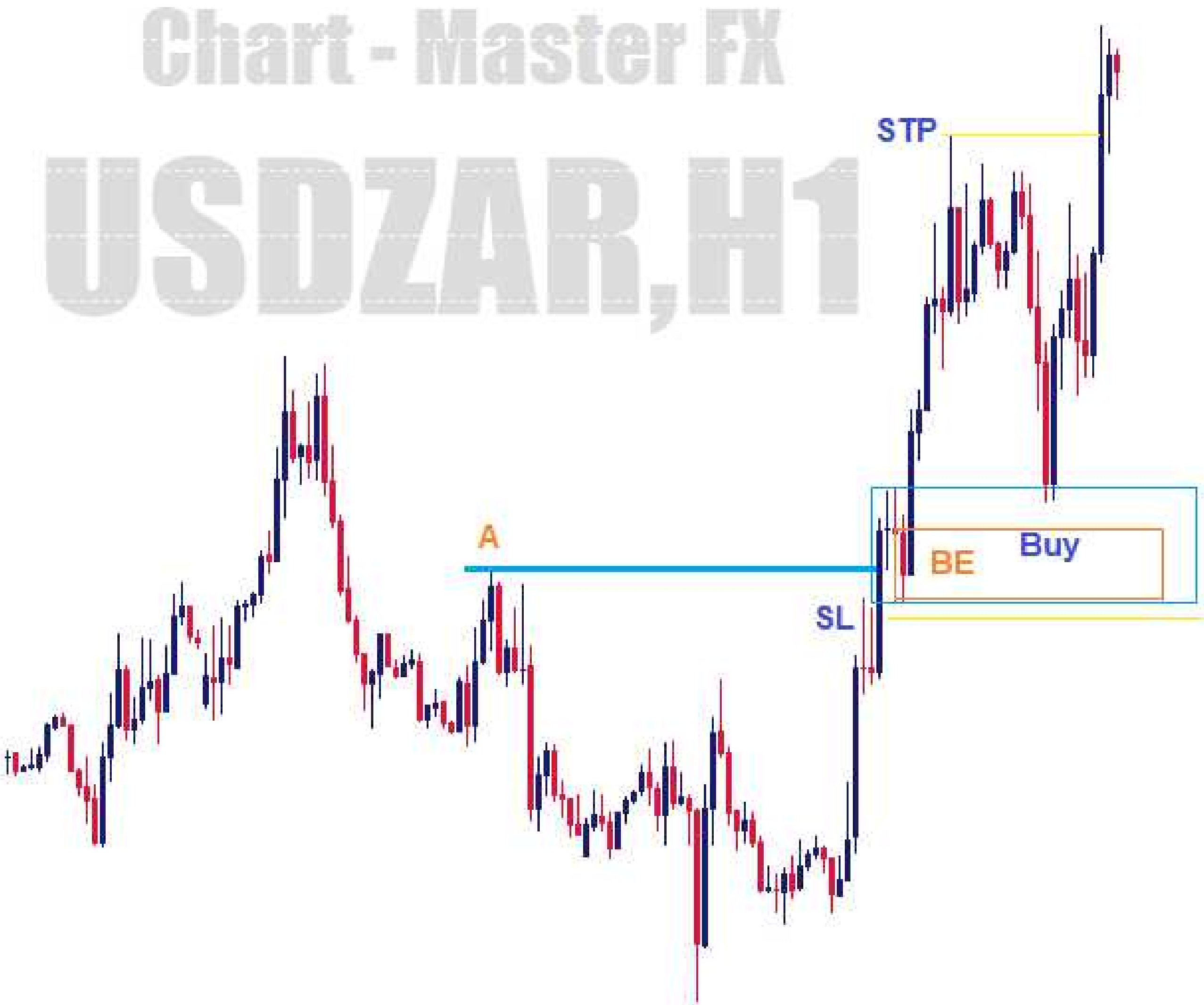
- **A:** The A is valid and sharp. It has a DJ-DP characteristic.
- **Momentum:** The price made a good rally base rally. The momentum of price on both rallies is strong.
- **Wide Kink:** The wide kink box is valid.
- **Base Kink:** There is a no valid base kink.
- **Trade Classification:** This trade is categorized as a low risk setup (Code 2).



Wide Flag Limit (WFL)

Variables: A, Momentum, Wide Kink, Base Kink .

- **A:** The A is valid and very sharp. It has a BE-DP characteristic.
- **Momentum:** The momentum is very strong to the upside.
- **Wide Kink:** The wide kink is valid.
- **Base Kink:** The base kink is in the form of bullish engulfing
- **Trade Classification:** This trade is categorized as a low risk setup (Code 1) since all conditions were met.



Wide Flag Limit (WFL)

Variables: A, Momentum, Wide Kink, Base Kink .

- **A:** The A is sharp and is in the form of bearish engulfing (BE-DP).
- **Momentum:** The momentum is strong for both rallies.
- **Wide Kink:** The wide range kink is a reaction of the magic line and is valid.
- **Base Kink:** The base of the flag limit is in the form of bullish engulfing.
- **Trade Classification:** The conditions were met on this setup. Hence, it is categorized as a low risk setup (Code 2).



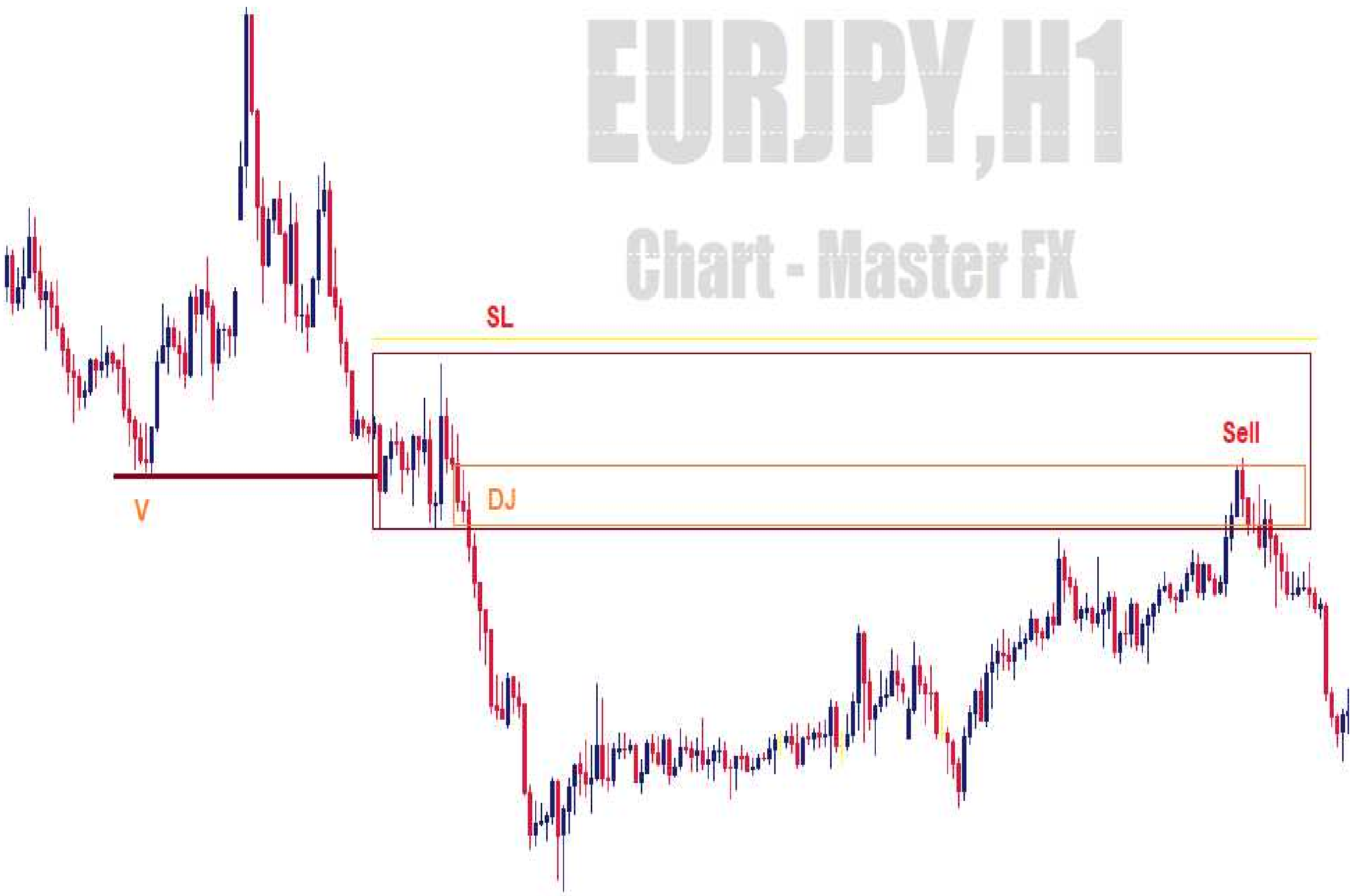
Wide Flag Limit (WFL)

Variables: V, Momentum, Wide Kink, Base Kink .

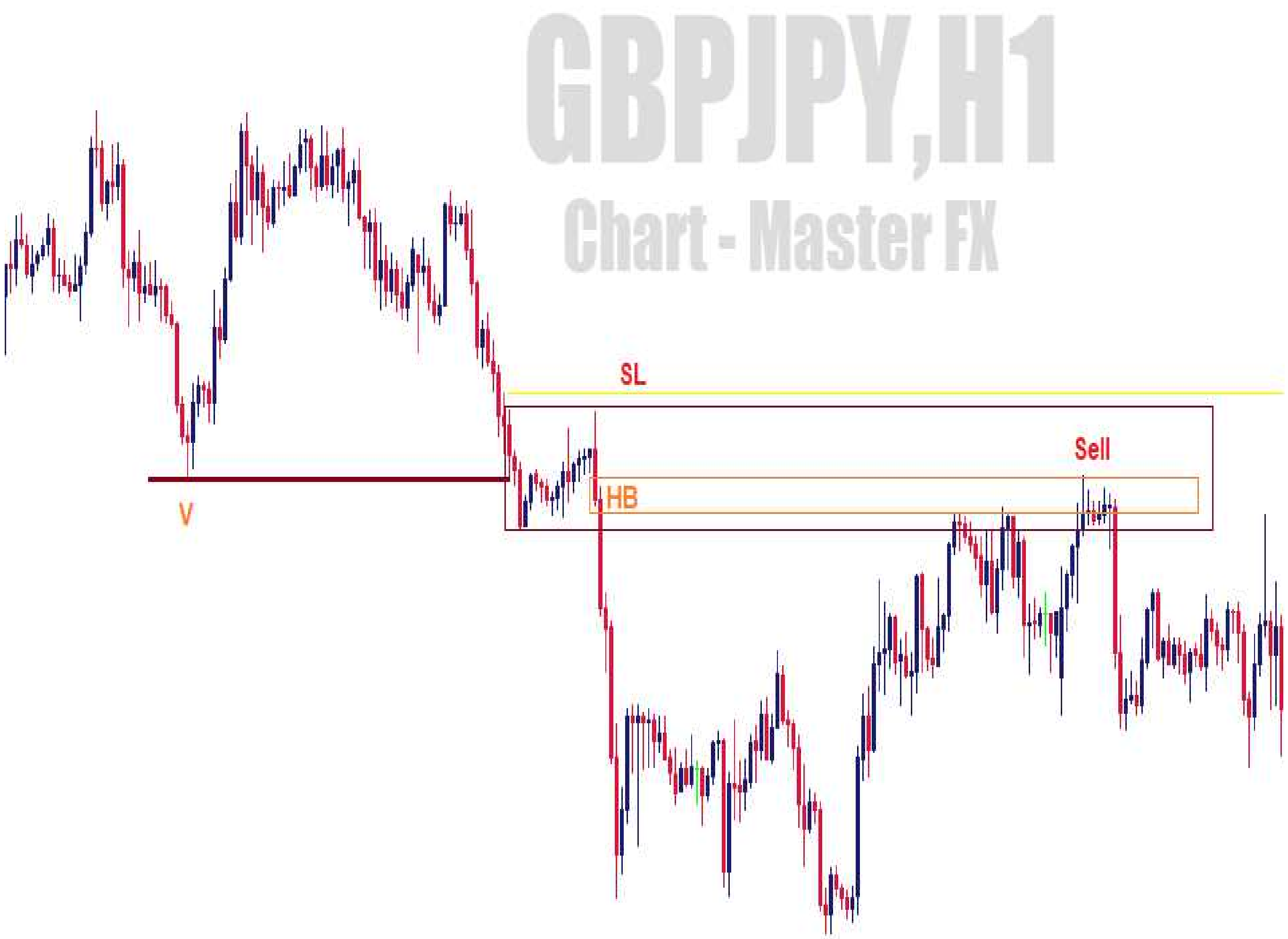
- **V:** The V has a shadow component and is sharp. There is no valid DP.
- **Momentum:** The acceleration of price is very strong southwards.
- **Wide Kink:** The wide range box is a valid reaction of the magic line.
- **Base Kink:** The base kink is valid and is in the form of bearish engulfing.
- **Trade Classification:** This trade is classified as a low risk trade (Code 3).

Wide Flag Limit (WFL)

Variables: V, Momentum, Wide Kink, Base Kink .



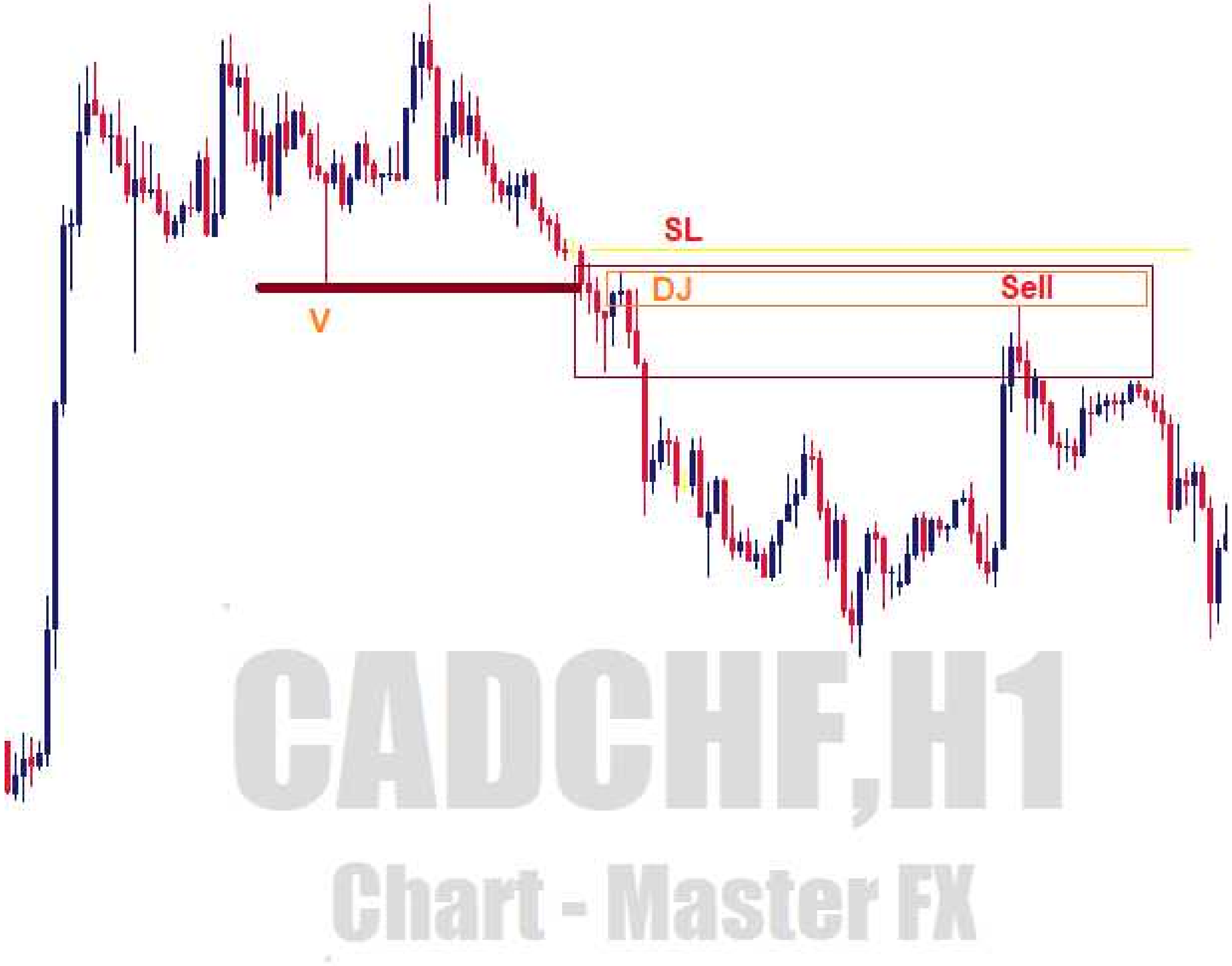
- **V:** The V is in the form of shadows and is sharp. There is a valid DJ-DP.
- **Momentum:** The momentum is strong.
- **Wide Kink:** The wide range box is justifiable.
- **Base Kink:** The price in this case decided to react at the beginning of the wide range flag limit. There is a Doji in this area, which is valid.
- **Trade Classification:** This trade is categorized as a low risk setup (Code 2).
- The approach of price to the zone is good.



Wide Flag Limit (WFL)

Variables: V, Momentum, Wide Kink, Base Kink .

- **V:** The V is in the form of shadows and is very sharp. It has a DJ-DP characteristic.
- **Momentum:** The acceleration of price is very strong.
- **Wide Kink:** The wide range flag limit is justifiable.
- **Base Kink:** The price reacted on the hidden base inside the wide range box.
- **Trade Classification:** This trade is categorized as a low risk setup (Code 1).



Wide Flag Limit (WFL)

Variables: V, Momentum, Wide Kink, Base Kink .

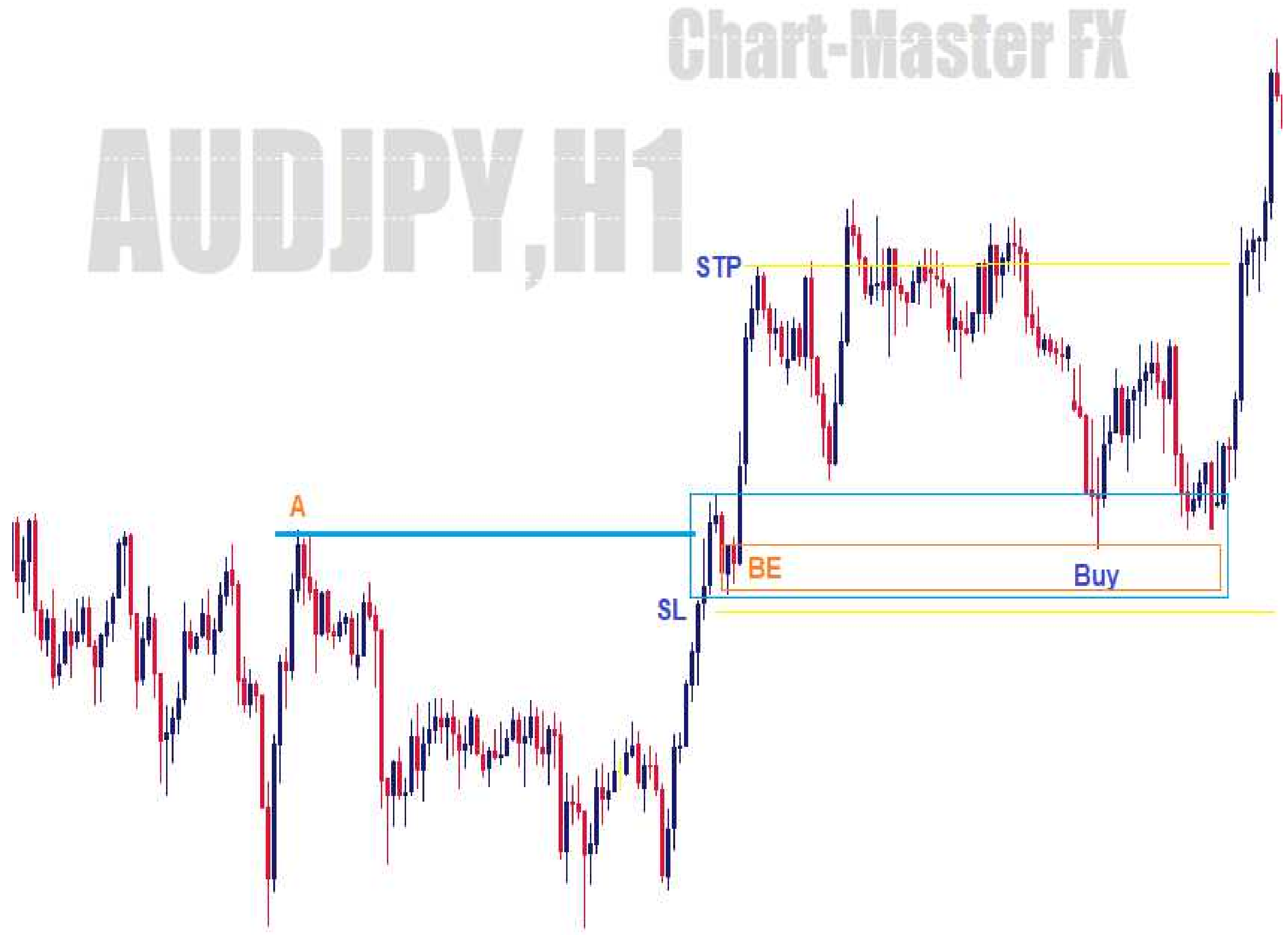
- **V:** The V is a shadow type and is sharp. There is no clear DP.
- **Momentum:** The price accelerated very well and started to weaken as it continued going down. The momentum is classified as fairly strong.
- **Wide Kink:** The wide range box is justifiable.
- **Base Kink:** Inside the wide range zone, there is a Doji kink.
- **Trade Classification:** Since the momentum of price is questionable. This trade is categorized as a medium risk setup (Code 6).



Wide Flag Limit (WFL)

Variables: A, Momentum, Wide Kink, Base Kink .

- **A:** The A is a shadow type and is very sharp. There is no valid DP.
- **Momentum:** The acceleration of price is very strong on both rallies.
- **Wide Kink:** The wide range is valid.
- **Base Kink:** The base is in the form of Mera Mera.
- **Trade Classification:** This trade met almost all the conditions. Hence, it is classified as a low risk trade (Code 3).



Wide Flag Limit (WFL)

Variables: A, Momentum, Wide Kink, Base Kink .

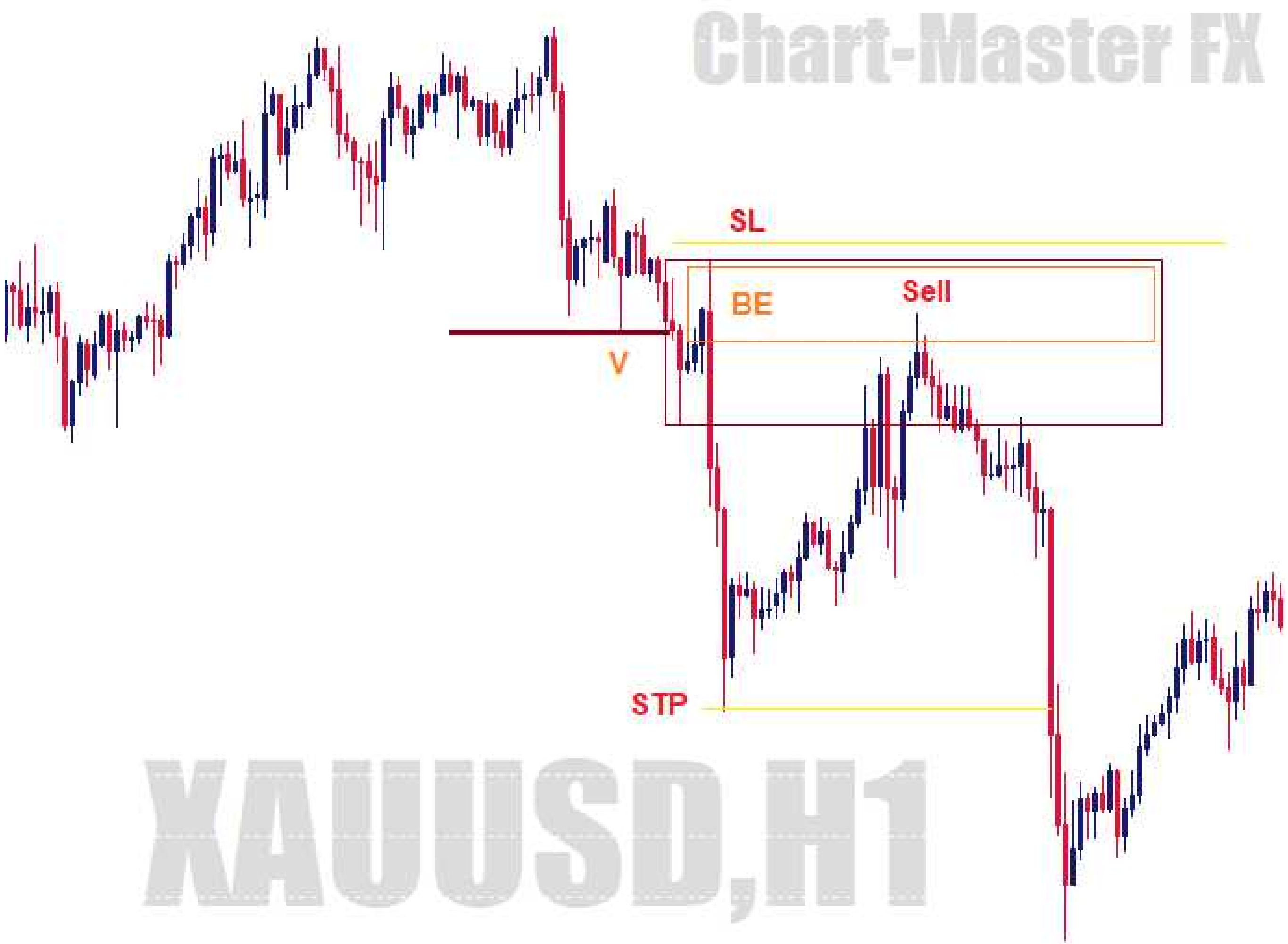
- **A:** The A is a candle body type and is sharp. There is a valid MM-DP on the top side of the A.
- **Momentum:** The acceleration is strong on both rallies.
- **Wide Kink:** The wide range box is a reaction to the magic line.
- **Base Kink:** The base kink is in the form of Bullish Engulfing.
- **Trade Classification:** All the variables passed the checkup test. In this regard, this trade is categorized as a low risk setup (Code 2).



Wide Flag Limit (WFL)

Variables: V, Momentum, Wide Kink, Base Kink .

- **V:** The V is a body candle type and is very sharp. It has a BE-DP characteristic.
- **Momentum:** The momentum of price is fairly strong to the downside.
- **Wide Kink:** The wide range box is a reaction to the magic line.
- **Base Kink:** The base kink is in the form of bearish engulfing.
- **Trade Classification:** This trade is categorized as a medium risk setup (Code 6).



Wide Flag Limit (WFL)

Variables: V, Momentum, Wide Kink, Base Kink .

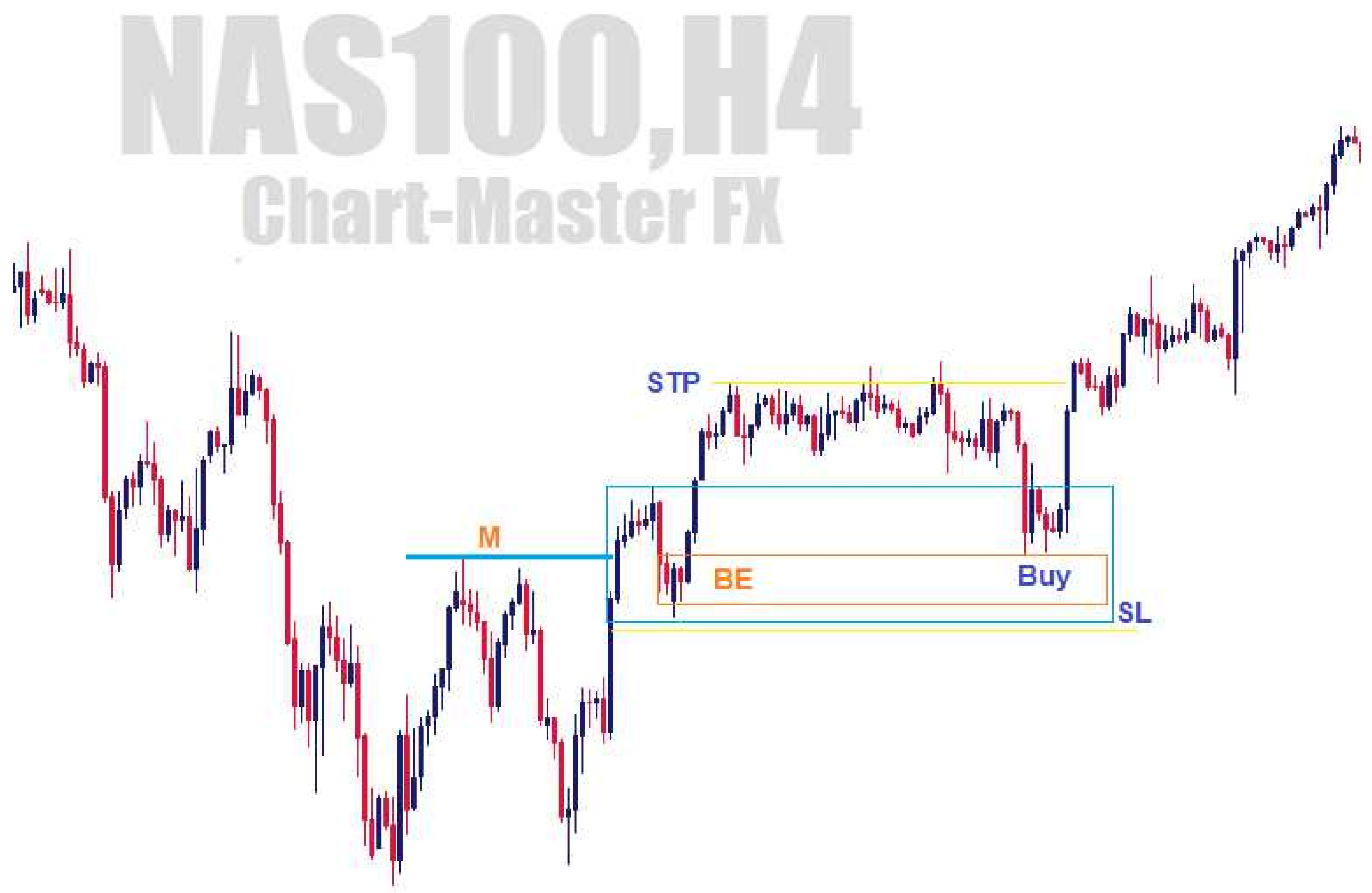
- **V:** The V is a shadow type and is very sharp. There is a valid BE-DP.
- **Momentum:** The acceleration of price is very strong, almost like a straight line.
- **Wide Kink:** The wide range box is justifiable.
- **Base Kink:** The base kink is in the form of bearish engulfing.
- **Trade Classification:** This setup meets all the requirements of the WFL. Hence, it is categorized as a low risk setup (Code 1).
- The slow motion of price back to the zone of interest is good.



Wide Flag Limit (WFL)

Variables: V, Momentum, Wide Kink, Base Kink .

- **V:** The V is in the form of a W and is categorized as flat. There is a valid BE-DP.
- **Momentum:** The momentum of price southwards is very strong.
- **Wide Kink:** The wide range box is justifiable.
- **Base Kink:** Inside the WFL range there is bearish engulfing.
- **Trade Classification:** This trade is categorized as a low risk setup (Code 1) since all conditions are satisfied.
- The approach of price to the zone of interest is good.



Wide Flag Limit (WFL)

Variables: A, Momentum, Wide Kink, Base Kink .

- **A:** The A is in the form of the M shape, which is still valid. The M is sharp and has a valid DJ/BE-DP.
- **Momentum:** The momentum is strong.
- **Wide Kink:** The wide range box is valid.
- **Base Kink:** Inside the wide range box, there is a valid base which is in the form of Bullish Engulfing.
- **Trade Classification:** This trade is categorized as a low risk setup (Code 2).

Wide Flag Limit (WFL)

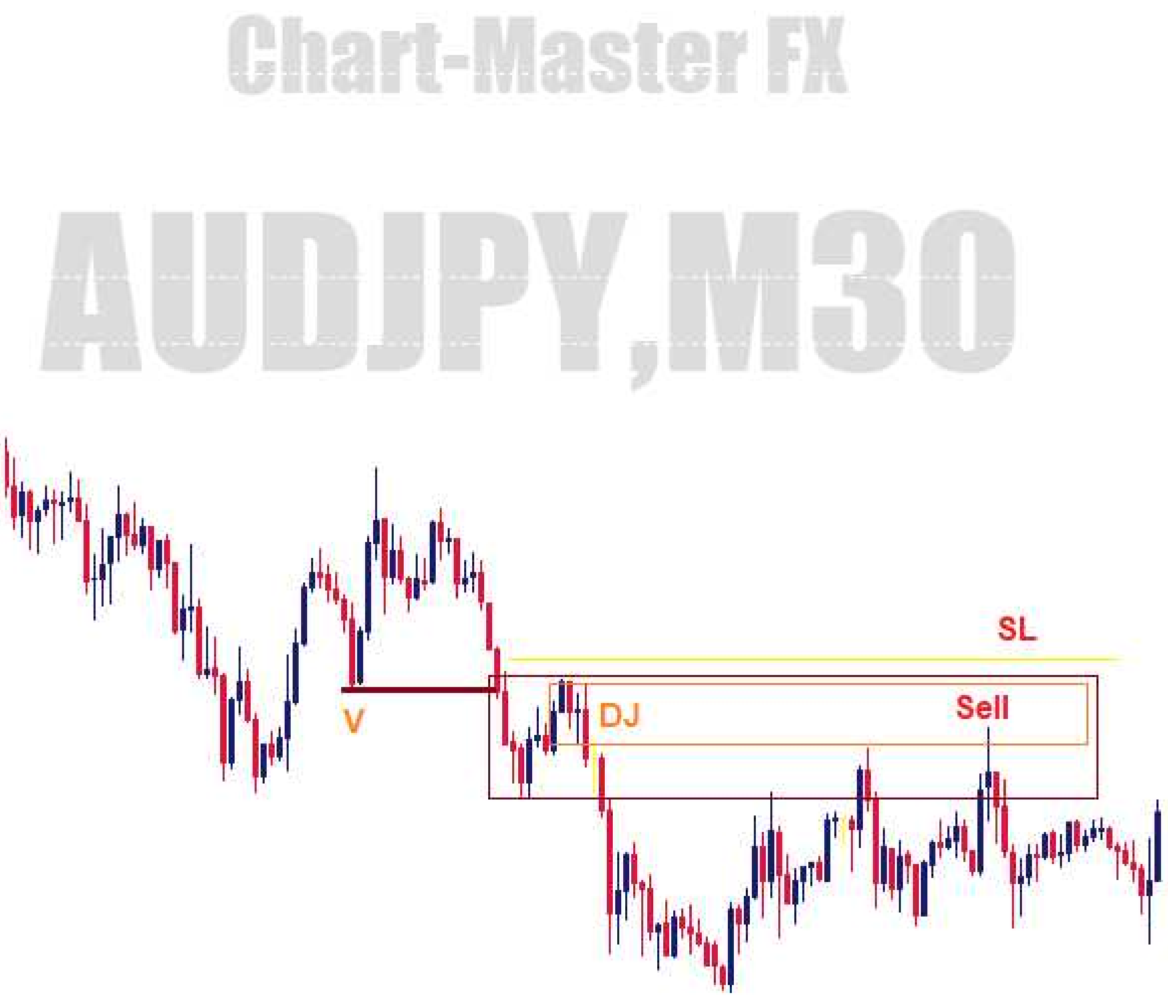
Variables: V, Momentum, Wide Kink, Base Kink .



- **V:** The V is a shadow type and it is sharp. It has a DJ-DP characteristic.
- **Momentum:** The momentum of price is strong although there is a single pause that occurred.
- **Wide Kink:** The wide range box is valid.
- **Base Kink:** The base kink (BE) is valid.
- **Trade Classification:** This trade is categorized as a low risk setup (Code 2).

Wide Flag Limit (WFL)

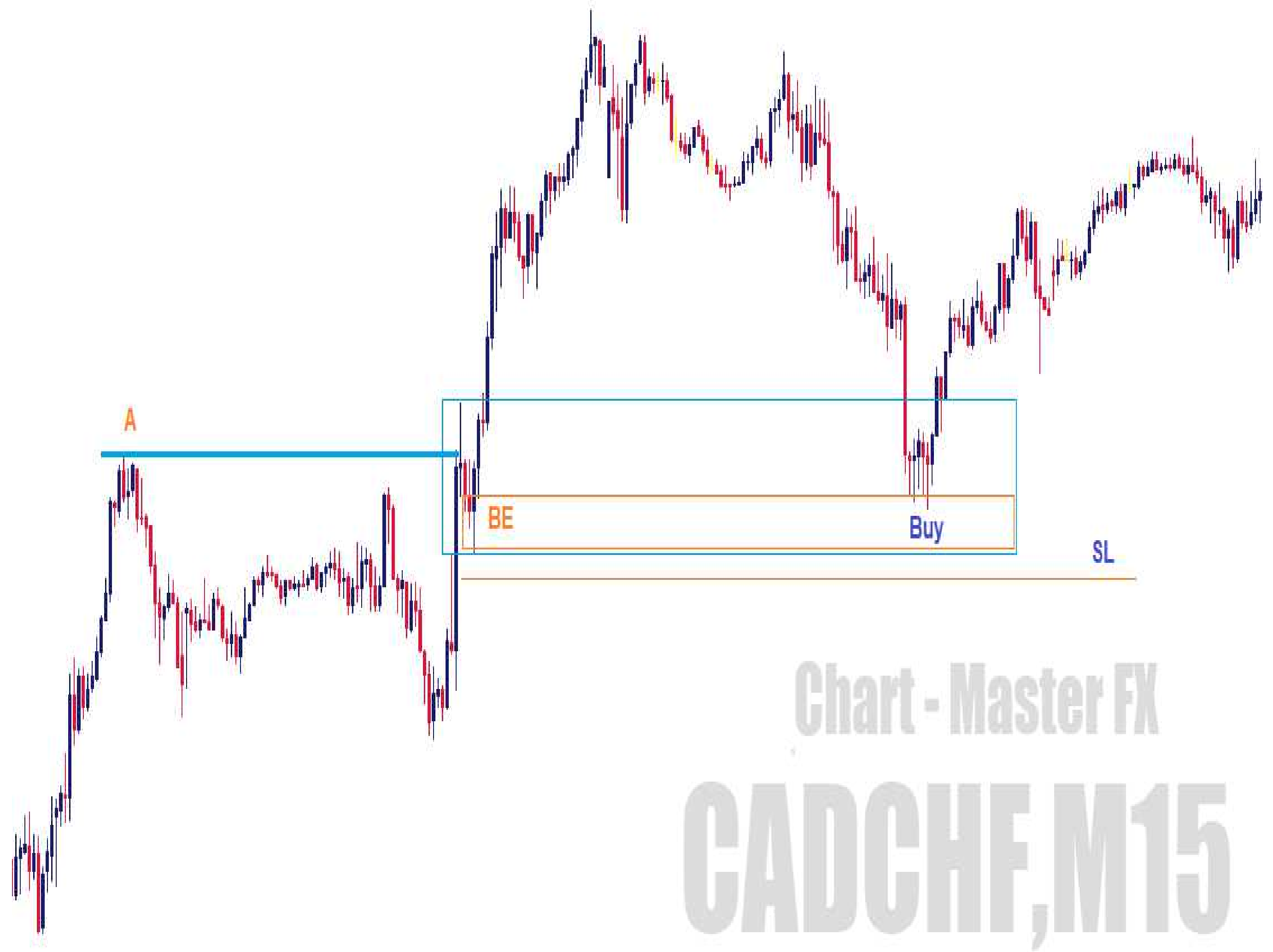
Variables: V, Momentum, Wide Kink, Base Kink .



- **V:** The V is a body candle type and is very sharp. The DP is unrecognized.
- **Momentum:** The momentum is strong.
- **Wide Kink:** The wide range box is justifiable.
- **Base Kink:** The base kink (Doji) is valid.
- **Trade Classification:** This trade is categorized as a medium risk setup (Code 4).

Wide Flag Limit (WFL)

Variables: A, Momentum, Wide Kink, Base Kink .



- **A:** The A is sharp and is in the form of a valid BE-DP.
- **Momentum:** The acceleration of price is strong for both rallies.
- **Wide Kink:** The wide box is a reaction to the magic line.
- **Base Kink:** Inside the wide range box there is a valid decision point (BE).
- **Trade Classification:** This trade is classified as a low risk trade (Code 2).

Wide Flag Limit (WFL)

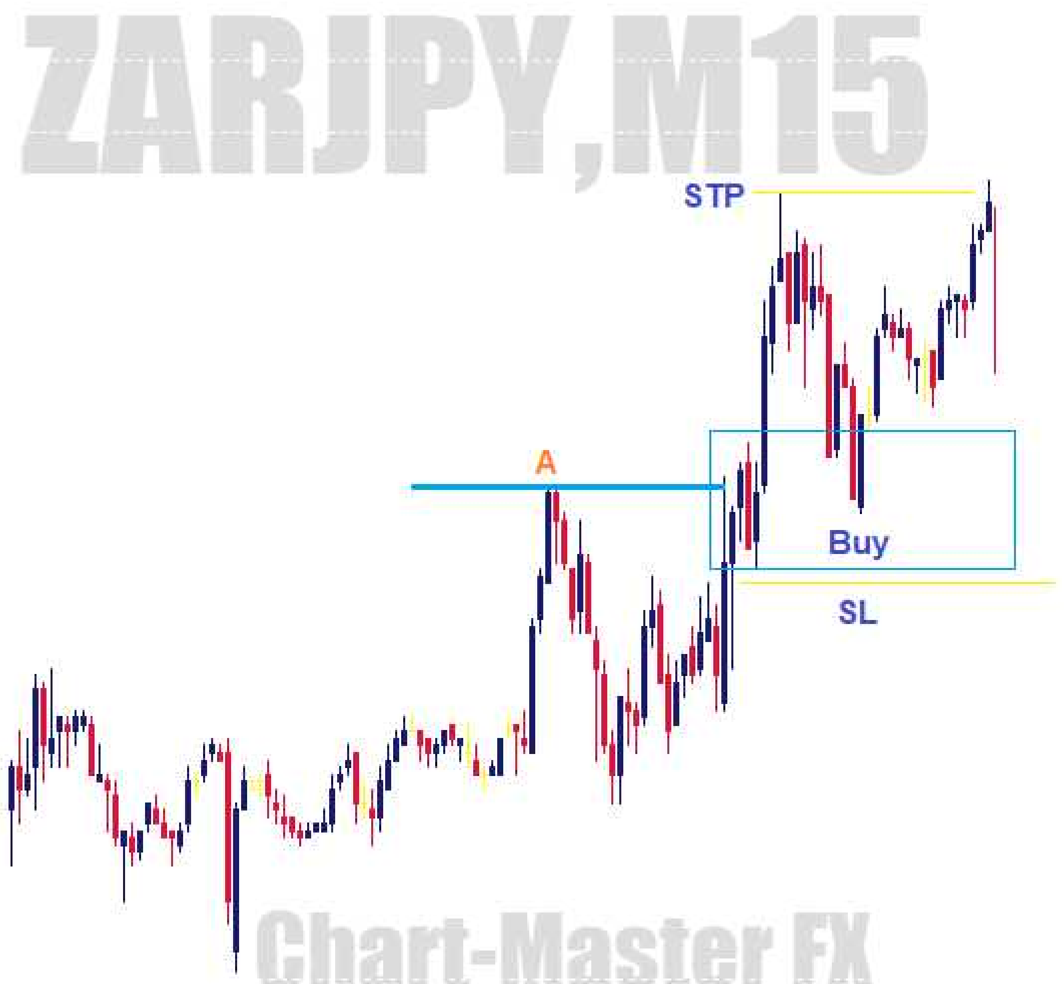
Variables: A, Momentum, Wide Kink, Base Kink .



- **A:** The A meets the WFL standards. It is very sharp. There is a valid DJ-DP.
- **Momentum:** The momentum of price is fairly strong.
- **Wide Kink:** The wide range box is justifiable.
- **Base Kink:** Inside the wide zone of interest there is bullish engulfing.
- **Trade Classification:** This trade is categorized as a medium risk setup (Code 5) since the momentum is questionable.

Wide Flag Limit (WFL)

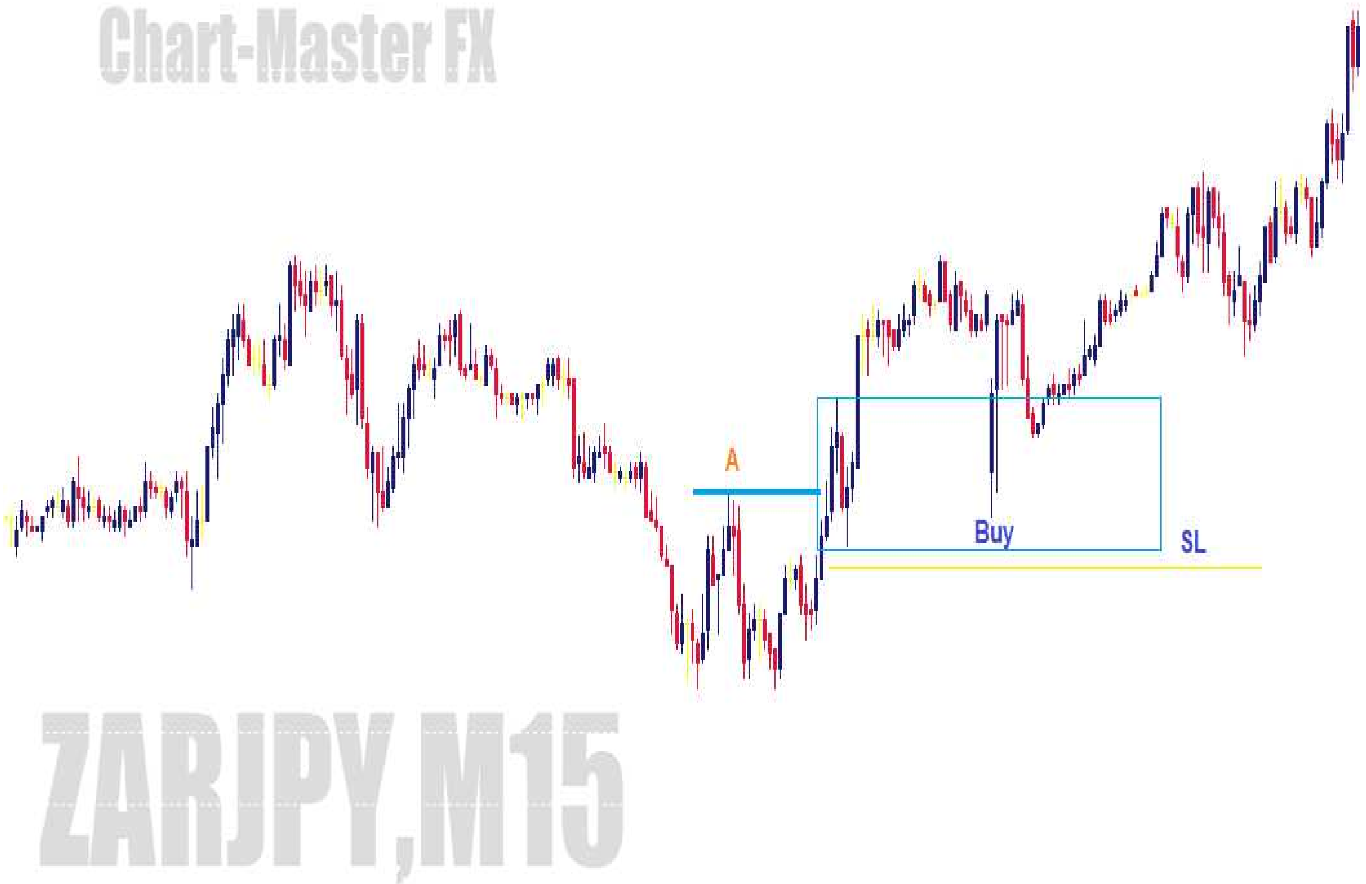
Variables: A, Momentum, Wide Kink, Base Kink .



- **A:** The A is a body candle type and is sharp. There is no valid DP.
- **Momentum:** The RBR momentum is very strong.
- **Wide Kink:** The wide range box is justifiable.
- **Base Kink:** There was no valid decision point in this setup.
- **Trade Classification:** This setup is not valid since there is no DP inside the WFL.

Wide Flag Limit (WFL)

Variables: A, Momentum, Wide Kink, Base Kink .



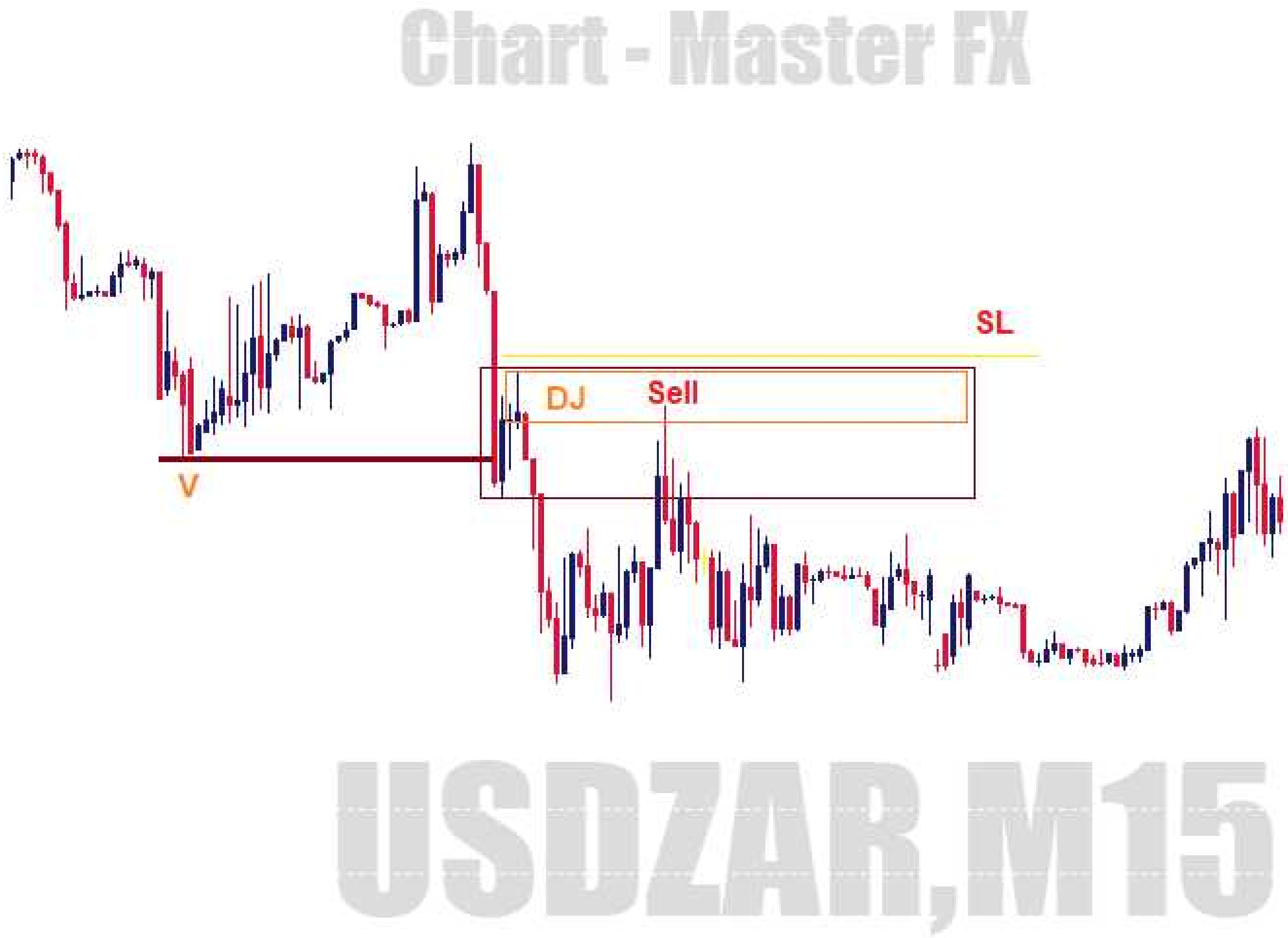
- **A:** The A is in the form of shadows and meets the WFL requirements. It is sharp and has a valid DJ-DP.
- **Momentum:** The acceleration is strong.
- **Wide Kink:** The wide range box is justifiable.
- **Base Kink:** The base kink is not valid.
- **Trade Classification:** This trade is not valid since there is no valid DP inside the WFL.

Wide Flag Limit (WFL)

Variables: V, Momentum, Wide Kink, Base Kink .



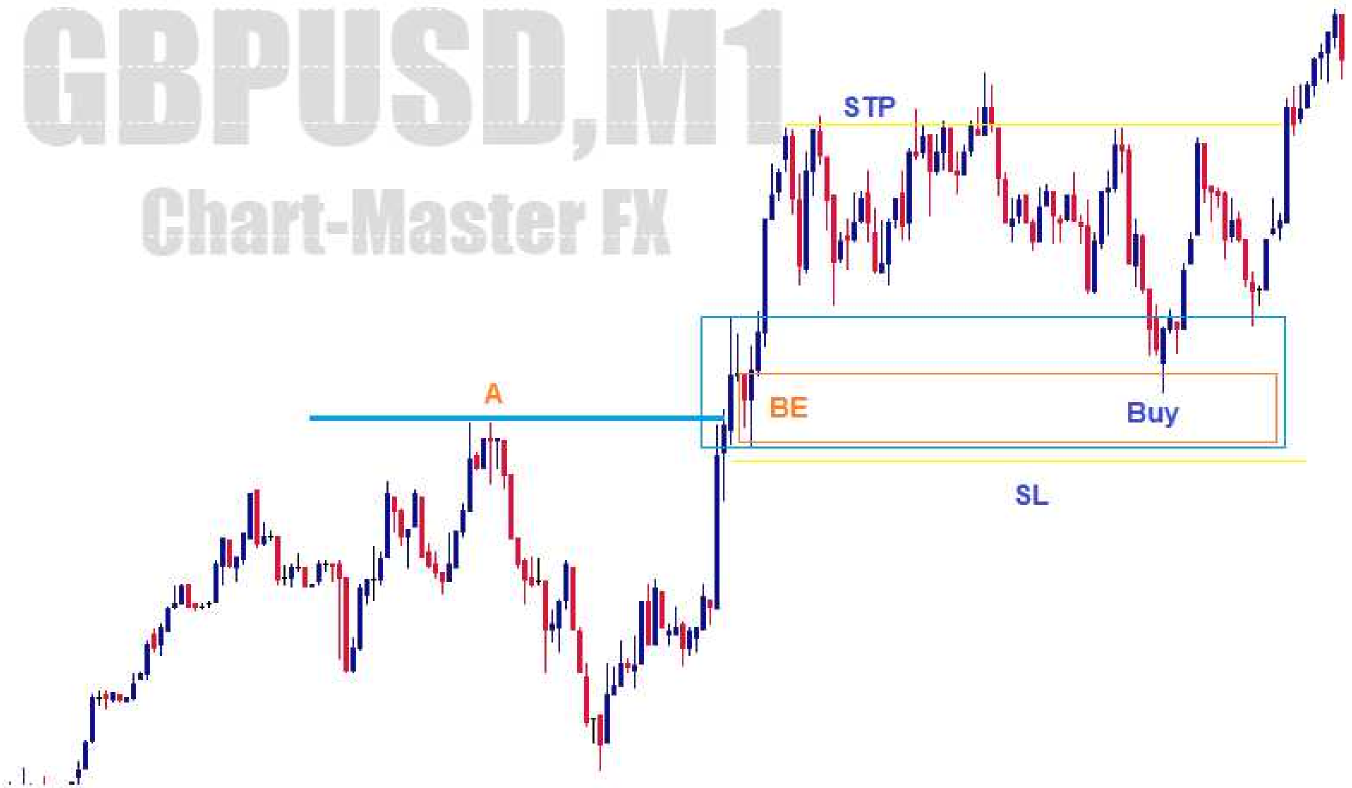
- **V:** The V is a shadow type and is very sharp. The bottom side of the V does not have a valid DP.
- **Momentum:** The acceleration of price is strong. However, the price made a pause as it continued going down.
- **Wide Kink:** The wide range box is a reaction to the support line.
- **Base Kink:** Inside the wide range box there is a hidden base kink.
- **Trade Classification:** This setup is classified as a medium risk trade (Code 4).



Wide Flag Limit (WFL)

Variables: V, Momentum, Wide Kink, Base Kink .

- **V:** The V is a body candle type and is valid. The V is categorized as sharp but there is no valid DP.
- **Momentum:** The acceleration of price is very strong southwards.
- **Wide Kink:** The wide kink is a reaction to the magic line.
- **Base Kink:** The base kink (Doji) is valid.
- **Trade Classification:** This trade is categorized as a low risk setup (Code 3).



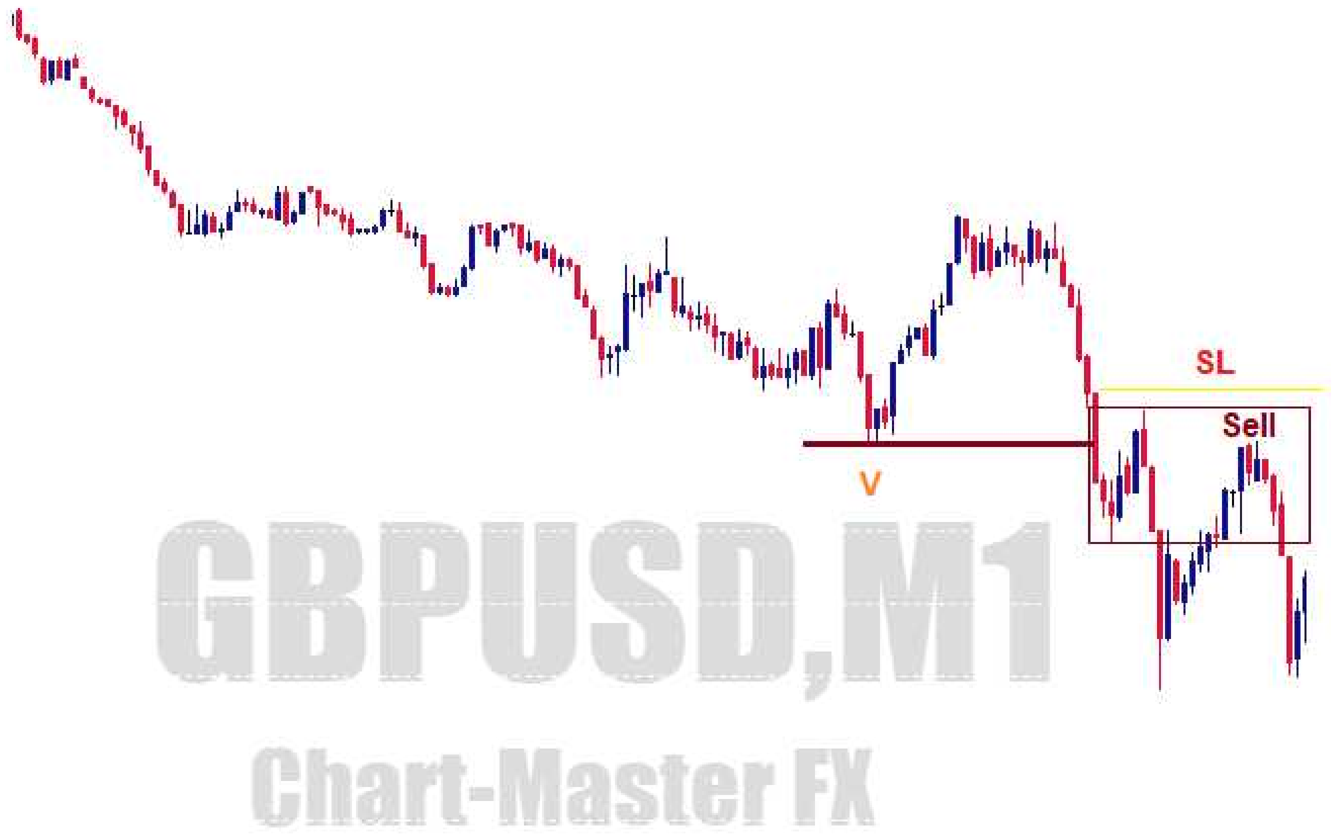
Wide Flag Limit (WFL)

Variables: A, Momentum, Wide Kink, Base Kink .

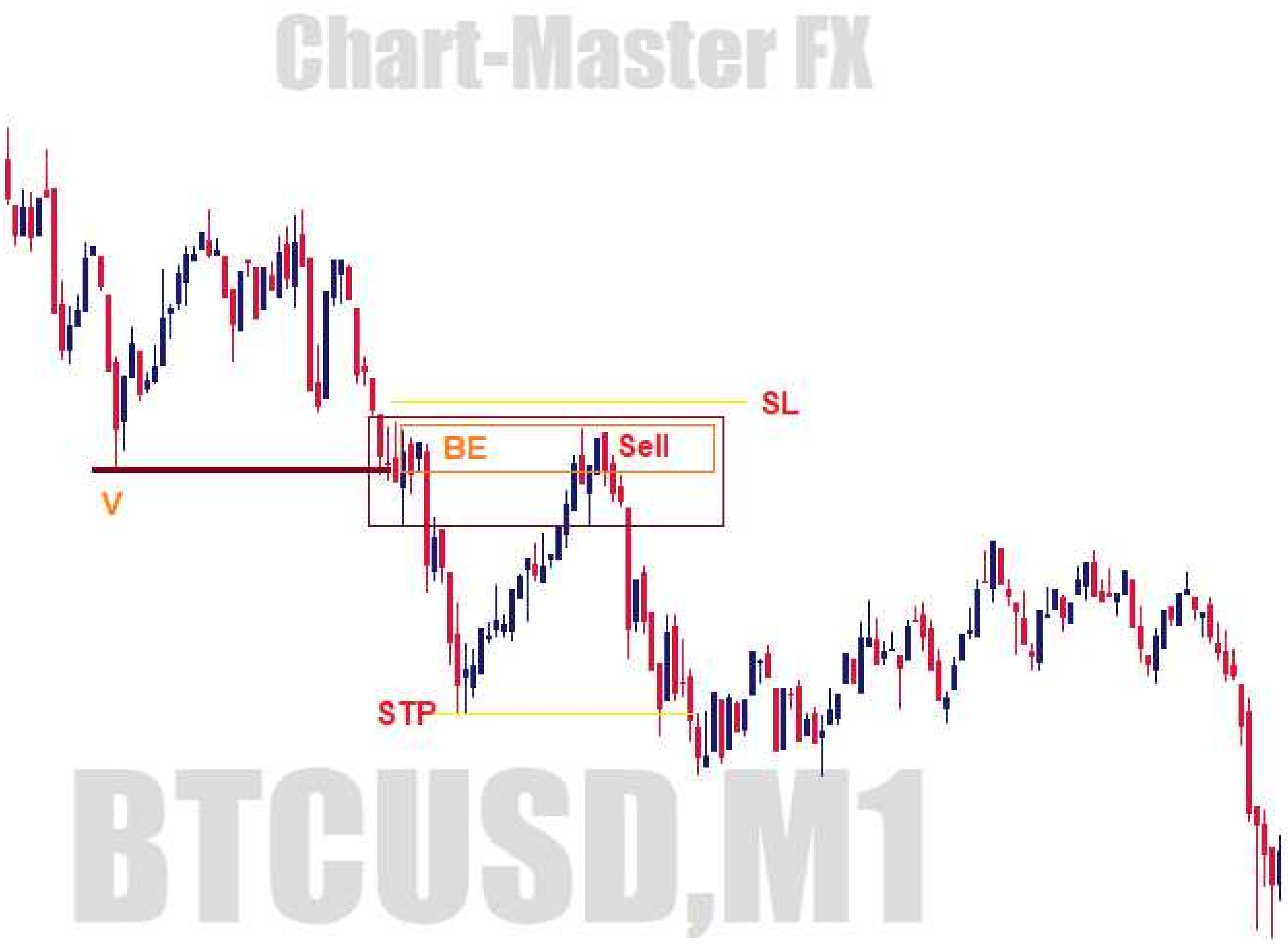
- **A:** The A meets the requirements of the WFL. The A is flat and has a valid DJ-DP.
- **Momentum:** The momentum is strong.
- **Wide Kink:** The wide range box is justifiable.
- **Base Kink:** The base kink is in the form of Bullish Engulfing.
- **Trade Classification:** This trade is categorized as a medium risk setup (Code 8).

Wide Flag Limit (WFL)

Variables: V, Momentum, Wide Kink, Base Kink .



- **V:** The V is valid and meets the WFL standards. The V is classified as sharp and has a valid DJ-DP.
- **Momentum:** The DBD momentum is very strong.
- **Wide Kink:** The wide range zone meets the WFL requirements.
- **Base Kink:** There is no valid base inside the wide range box.
- **Trade Classification:** This setup is invalid since there is no valid DP inside the WFL.



Wide Flag Limit (WFL)

Variables: V, Momentum, Wide Kink, Base Kink .

- **V:** The V is a shadow type and is sharp. The DP is not valid.
- **Momentum:** The momentum is very strong.
- **Wide Kink:** The wide range box meets the WFL standards.
- **Base Kink:** The base kink (BE) is valid.
- **Trade Classification:** All the boxes were ticked. Hence, this setup is classified as a low risk trade (Code 3).



Chapter Five [KLC]

Key Level Continuation

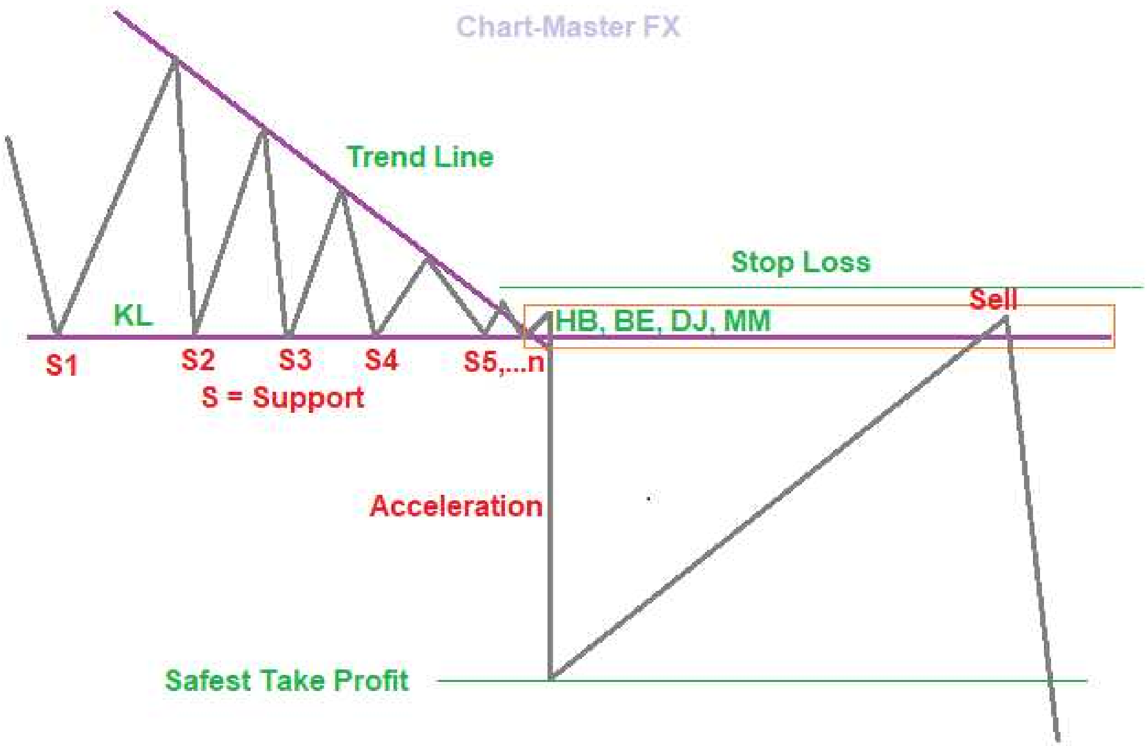
Key Level Continuation

Anatomy

The KLC has the following integral components; key level, trend line, acceleration, and a decision point.

The key level is considered valid if it has at least two support touches. A key level with two touches is categorized as a 2-star KL.

There is also a buy version of the KLC, however, it is not covered in this book.



Key Level Continuation SWOT Analysis

KLC Strengths

- The KLC is a powerful swap zone strategy that can lead to more wins than losses if applied properly.

KLC Weaknesses

- The exact location of the decision point is not predictable. It might be aligned along the key level or just above it.

- Additionally, there are some KLC setups that do not have a definite place to put the stop loss.

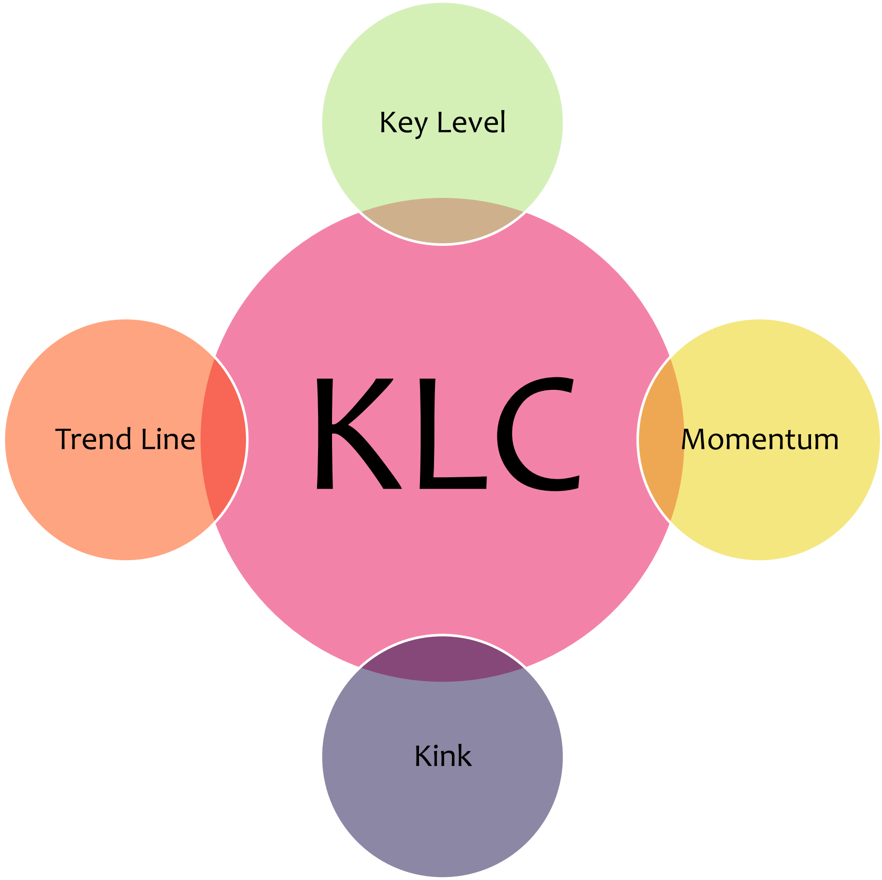
Key Level Continuation Commandments

Rubrics	Elucidations
• There should be a key level with at least two support touches. • There should be a trend line. • There should be a valid decision point (HB, BE, DJ or MM). • The acceleration of price to the downside is very important.	• The more support touches on the key level the better. • This strategy can be used also for the buy setup. However, only a sell KLC setup was included in this book.

Key Level Continuation Variables

Variables

There are generally three variables to consider during trade classification.
The variables are Key Level, Momentum, Kink, and Trend Line.



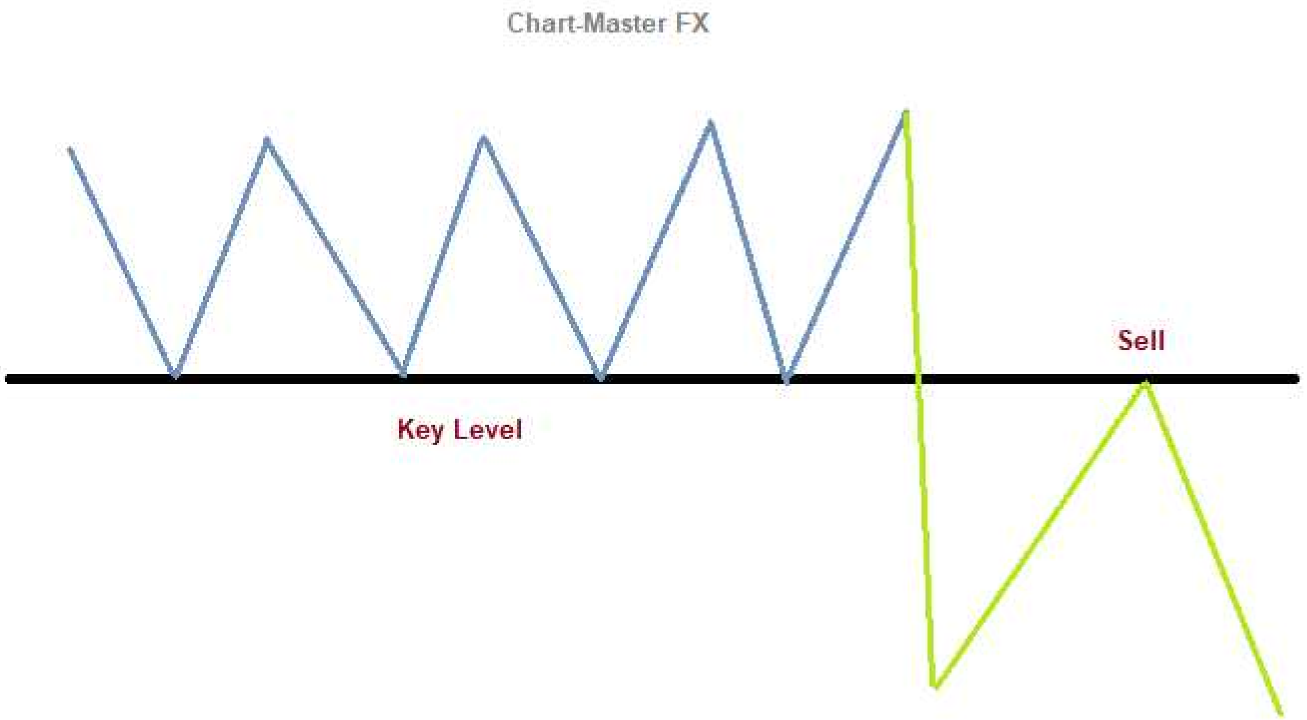
KL Variable

Key Level

Key Level: In this SOP, a key level is a line with at least two support touches (Sell Setup). This component is very important in this setup. It is the foundation of the KLC standard operating procedure.

KL Variable

Key Level



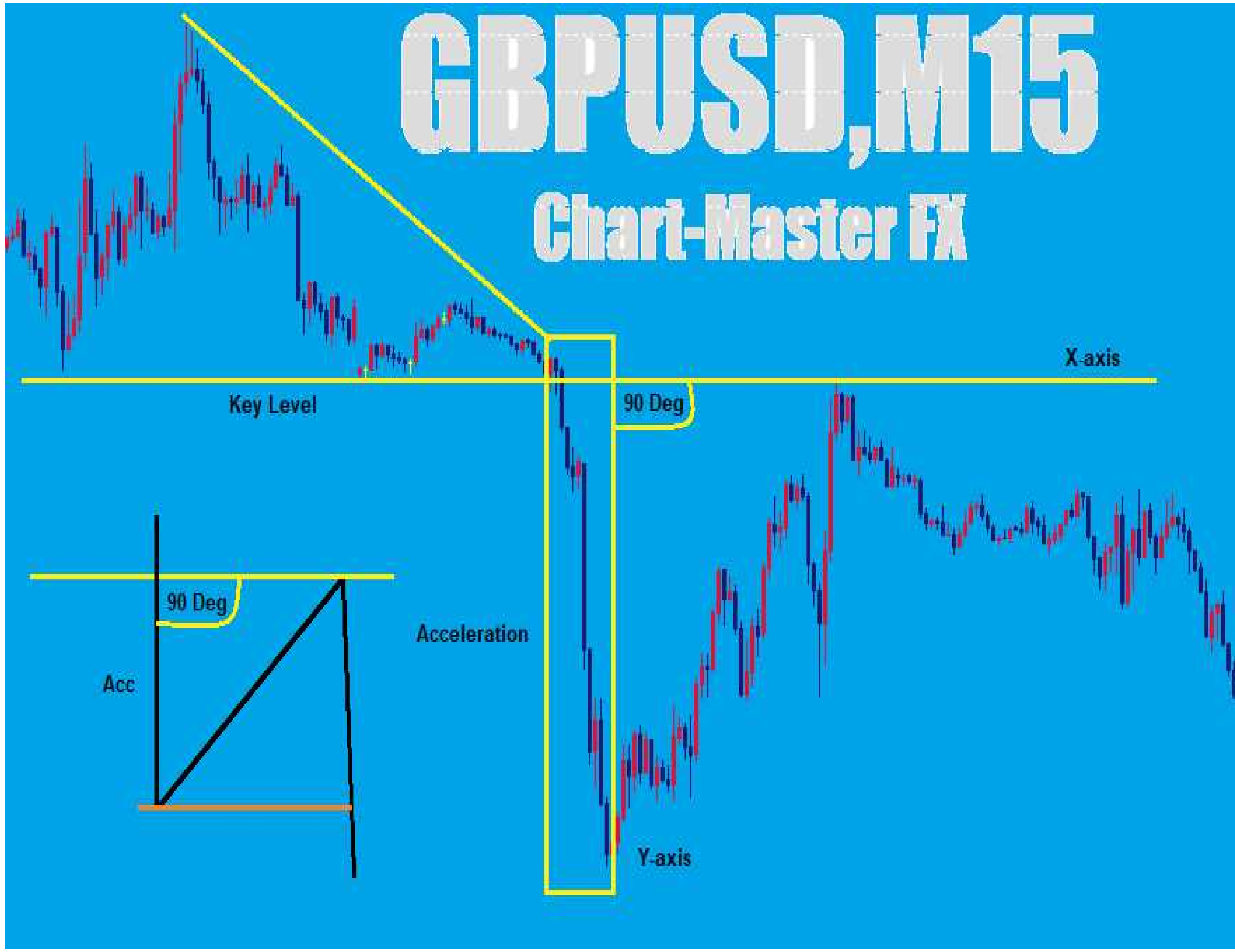
Kink Variable

Kink

Kink: The kink in KLC is aligned along with the key level or slightly above the KL. The kink should be in the form of an HB, BE, DJ or MM. The diagrammatic location of the kink is shown on the KLC anatomy.

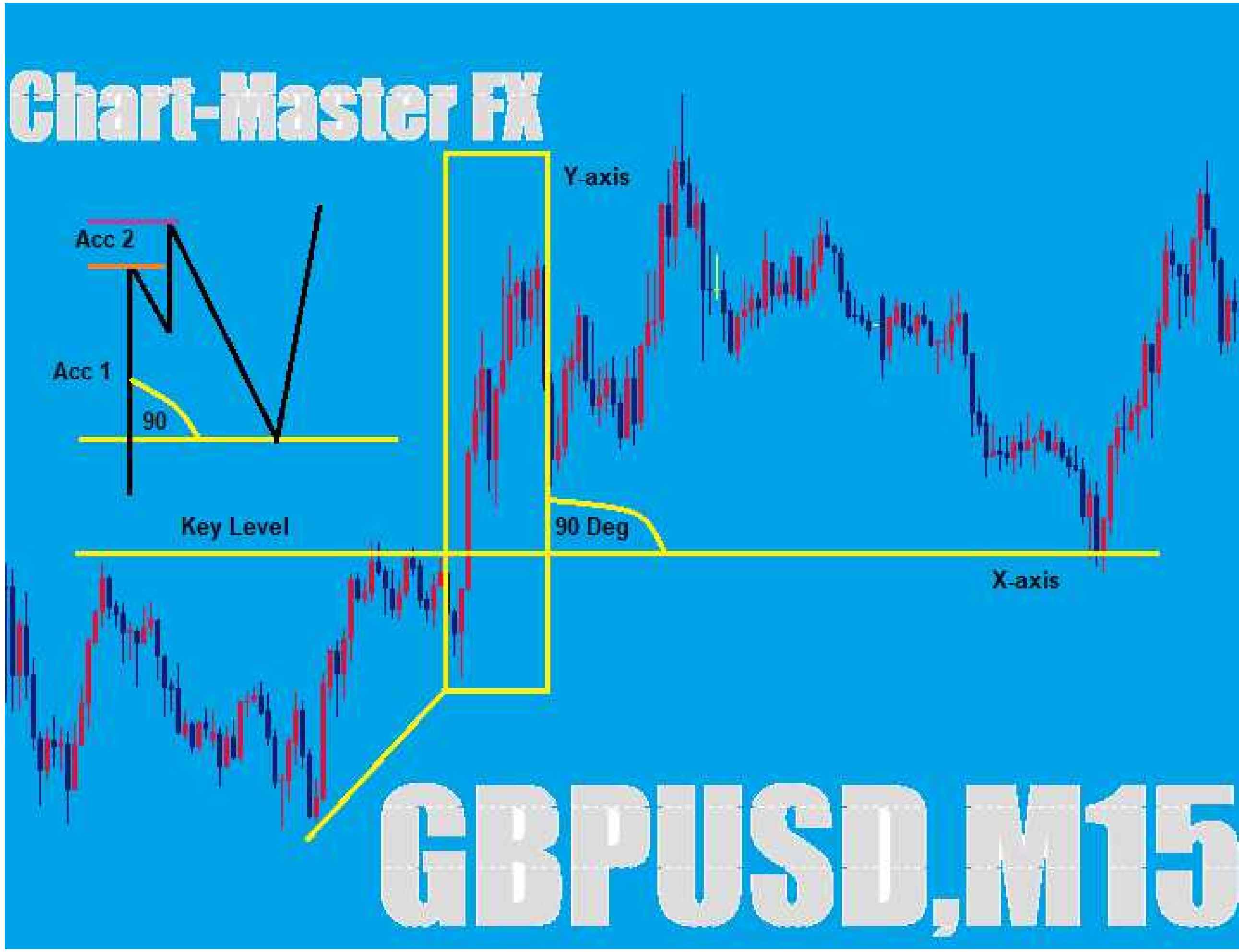
Momentum

This is the ideal shape to look for when trading the KLC SOP. The momentum (y-axis) must be in the form of a straight line. The momentum should be a straight pole as shown on the chart. This type of momentum is classified as “very strong”.



Momentum

This is another valid type of momentum which is not perfect. The momentum can be subdivided into ACC 1 and ACC 2. Both accelerations should be straight poles. This type of momentum is classified as “strong”.



Trend Line Variable

Trend Line

The trend line component is very important in this SOP. The trend line is significant because it shows the general direction of price. A trend line is a significant component to consider. A trend line is considered valid if it has at least two touches to connect. The trend line does not need to be accurate. As long as the trend line is justifiable.

Classification Algorithm

Key Level (KL) Factors: Numeric Variable.
Variable description: The number of key level stars (support touches).

Momentum (MM) Factors: Categorical Variable.
1 [Fairly Strong (VS)], 2 [(Strong (S)] and 3 [Very Strong (VS)].

Kink Factors: Binary Variable.
1 Invalid Kink (IK), 2 Valid Kink (VK).

Trend Line (TL): Binary Variable.
Trend Line Validity (Constant).

Trade Classification (TC): Dependent Binary Variable.
0 = High Risk, 1 = Low Risk.

$$\text{TC} = TL + \beta_1 KL + \beta_2 MM + \beta_3 Kink$$

Regression Model

Chart-Master FX

Classification Algorithm Sample Data

	KL	MM	KINK	TL	TC
1	2	2	2	3	9.132
2	2	2	2	3	9.440
3	4	2	2	3	11.370
4	4	3	2	3	12.280
5	2	3	2	3	10.135
6	4	1	2	3	10.243
7	3	3	1	3	10.070
8	4	2	1	3	10.050
9	4	2	2	3	11.182
10	3	2	2	3	10.354
11	3	2	2	3	10.071
12	3	3	2	3	11.321
13	2	3	2	3	10.240
14	3	1	2	3	9.121
15	3	3	2	3	11.160
16	2	2	2	3	9.245

	KL	MM	KINK	TL	TC
17	2	1	2	3	8.434
18	2	3	2	3	10.120
19	3	2	2	3	10.201
20	5	3	2	3	13.309
21	3	2	1	3	9.451
22	5	3	1	3	12.240
23	2	1	2	3	8.151
24	2	1	2	3	8.300
25	3	2	2	3	10.100
26	3	3	2	3	11.020
27	2	3	2	3	10.320
28	2	2	2	3	9.410
29	4	3	1	3	11.250
30	3	2	2	3	10.130
31	3	3	1	3	10.380
32	3	2	1	3	9.210
33	4	3	2	3	12.334

Classification Algorithm Estimation

A sample was taken from 33 KLC flashcards. The dependent variable (Trade Classification) was estimated using the sum total of each variable factor. According to the research done by CMF, it was discovered that the more stars available on a particular setup the higher the odds of that trade becoming successful.

Lets take an example of sample data 5 with KL (2 = two stars), MM (3 = very strong momentum), Kink (2 = Valid Kink), Trend Line (3 = constant). The TC can be estimate by adding the sum total of the variable factors plus a random standard error estimate between 0 and 0.5.

A setup with 7 to 9.99 points is classified as a high risk trade whereas a setup with 10.0 to 14.5 points is classified a low risk trade.

The parameters of the KLC equation were estimated as follows;

$$TC = 3.285 + 0.996KL + 0.989MM + 0.993Kink$$

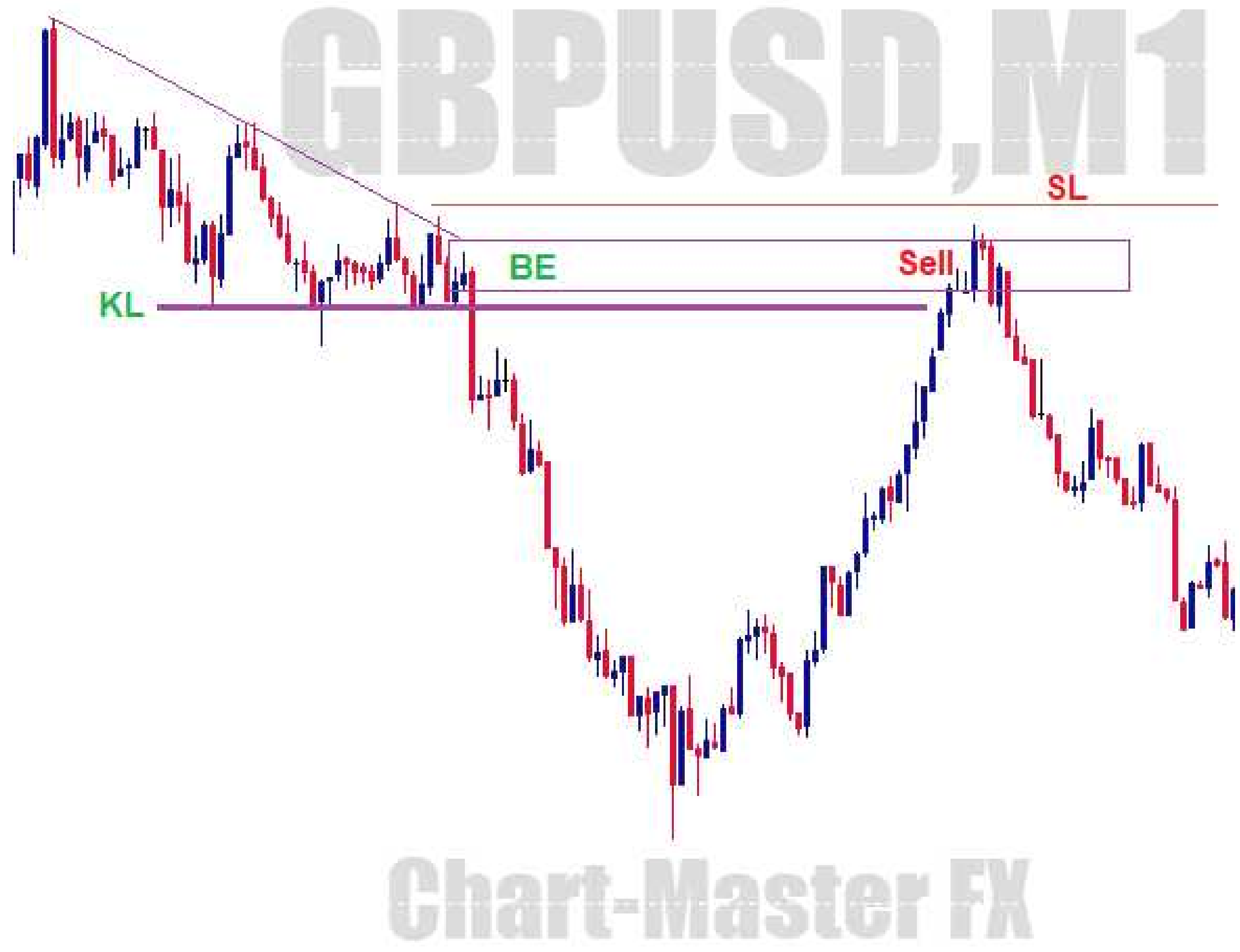
Lets say for example there is a setup with the following conditions; KL (4 = four stars). MM (1 = fairly strong momentum) and Kink (2 = Valid Kink). The calculations are done as follows;

$$TC = 3.285 + 0.996(4) + 0.989(1) + 0.993(2) = 10.244.$$

Since the trade is within the 10.0 to 14.5 category, it is classified as a low risk trade.

Chart-Master FX

Chart Examples



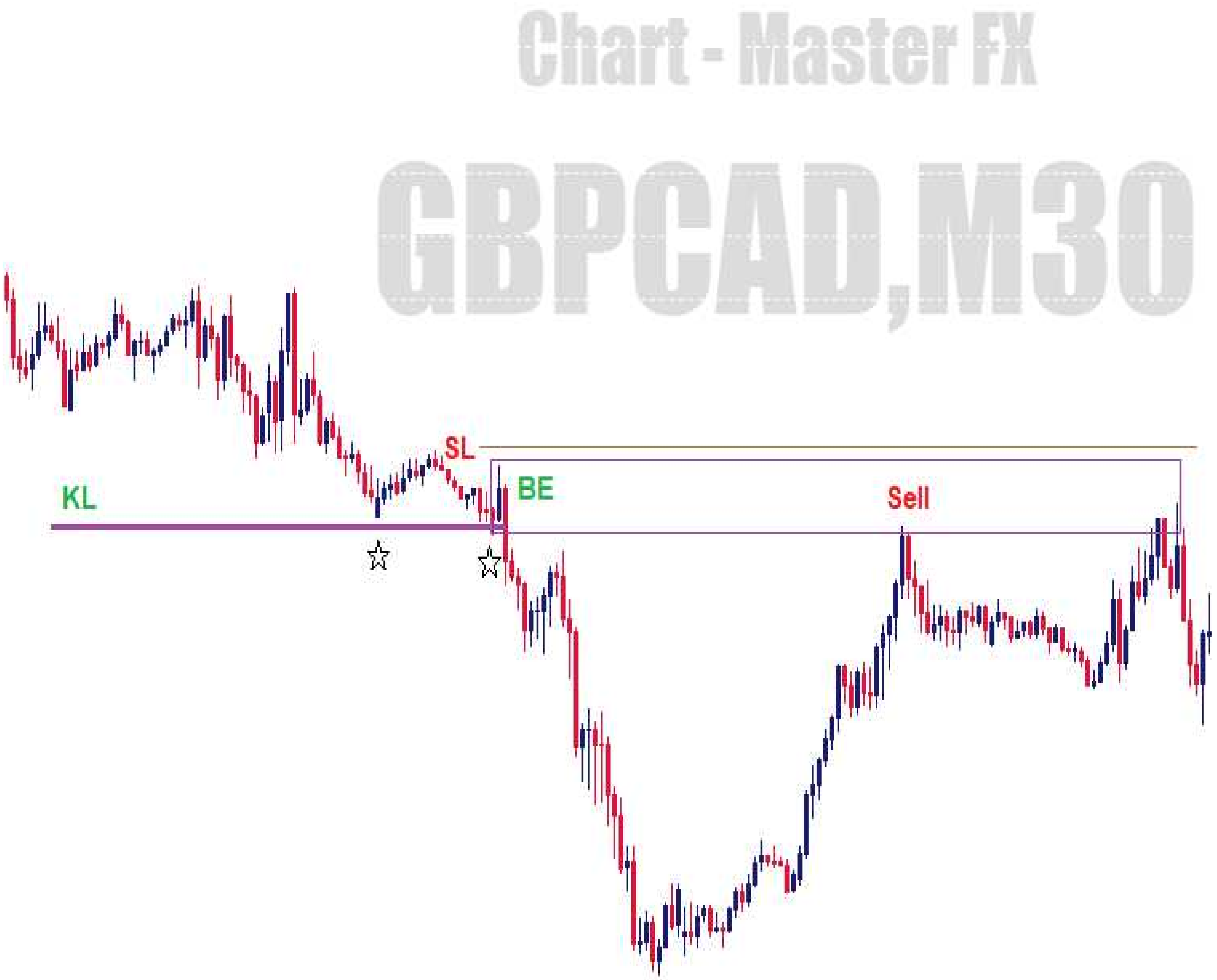
Key Level Continuation (KLC)

Variables: KL, Momentum, Kink, Trend Line.

- **KL:** The key level is valid with 2 stars.
- **Momentum:** The momentum of price to the downside is strong.
- **Kink:** The decision point is just above the key level and is in the form of a bearish engulfing candle.
- **Trend Line:** The trend line is valid.
- **Trade Classification:** This trade is categorized as a high risk setup since the momentum is questionable.

Key Level Continuation (KLC)

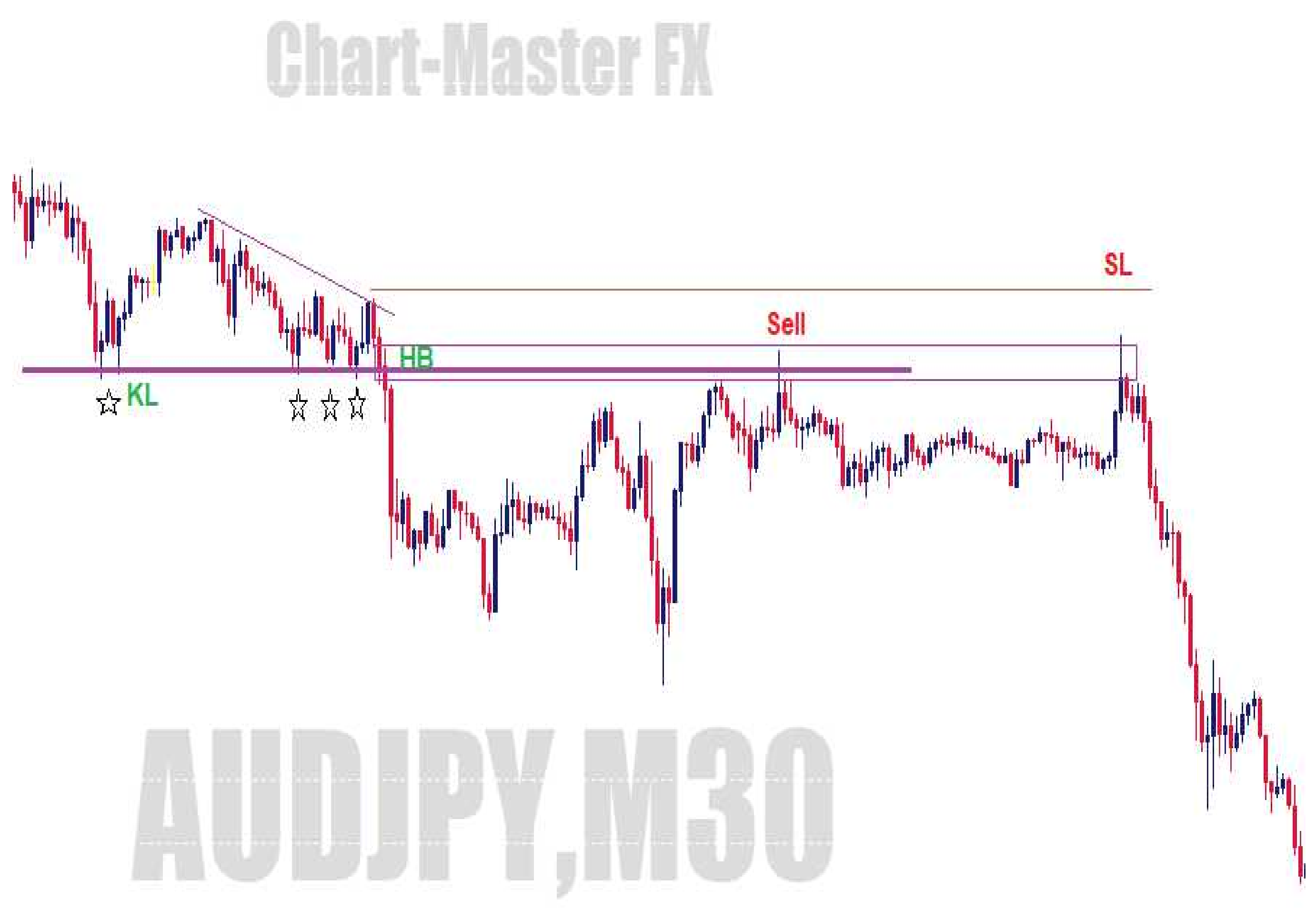
Variables: KL, Momentum, Kink, Trend Line.



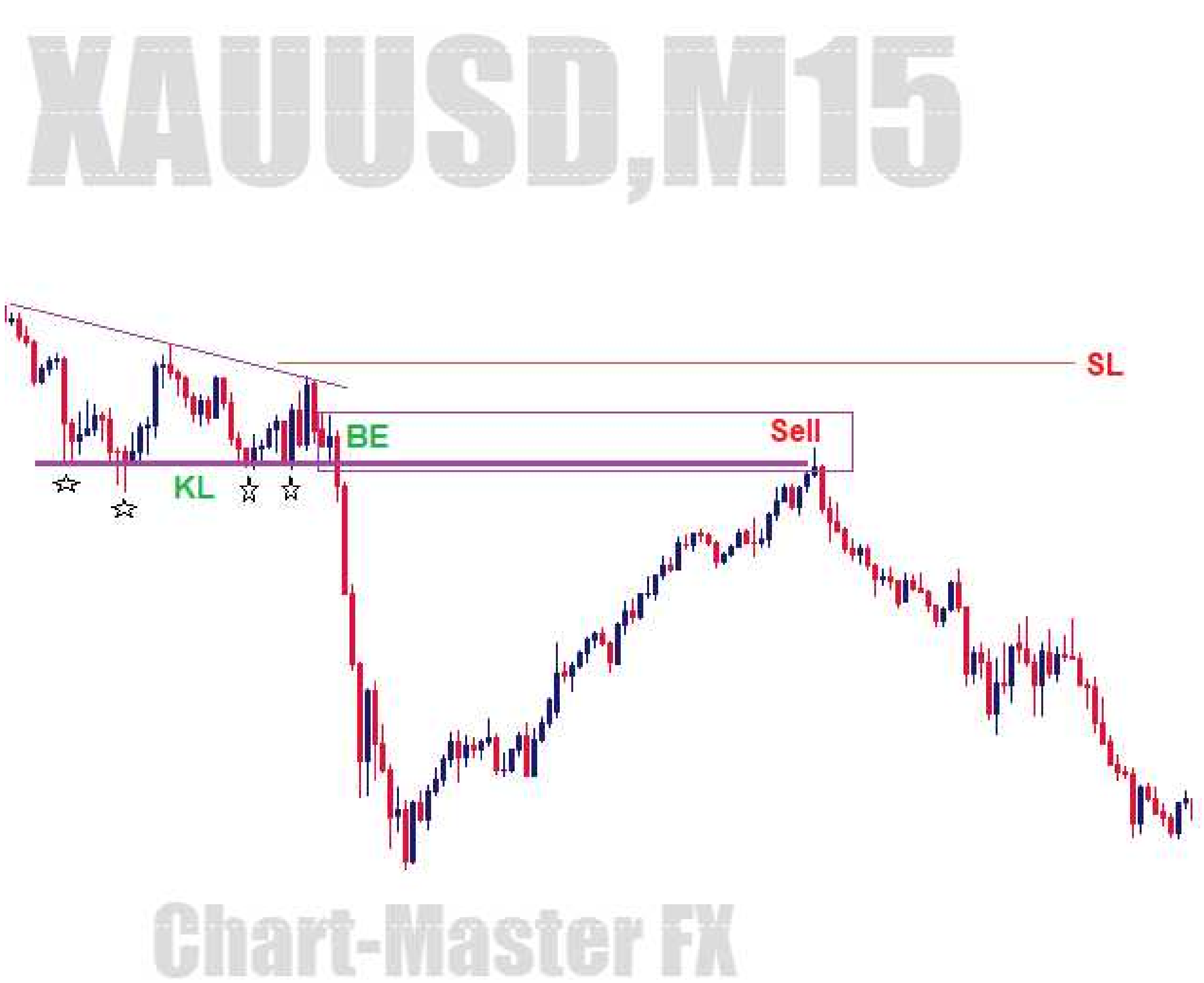
- **KL:** The key level has two stars, which makes it significant.
- **Momentum:** The momentum is strong but with some pauses to the downside.
- **Kink:** The decision point is located along with the key level.
- **Trend Line:** The trend line is valid.
- **Trade Classification:** This trade is categorized as a high risk setup.

Key Level Continuation (KLC)

Variables: KL, Momentum, Kink, Trend Line.



- **KL:** There is a 4-star key level, which is valid.
- **Momentum:** The momentum of price is strong to the downside.
- **Kink:** The hidden base is aligned with the key level.
- **Trend Line:** The trend line is valid.
- **Trade Classification:** This trade is categorized as a low risk setup.
- The price approached the zone of interest by compression.



Key Level Continuation (KLC)

Variables: KL, Momentum, Kink, Trend Line.

- **KL:** There is a 4-star key level.
- **Momentum:** The momentum is very strong and valid.
- **Kink:** The bearish engulfing candle is located along with the key level.
- **Trend Line:** The trend line is valid.
- **Trade Classification:** This trade is categorized as a low risk setup.
- The price approached the zone interest in the form of a slow movement which is an added advantage.

Key Level Continuation (KLC)



Variables: KL, Momentum, Kink, Trend Line.

- **KL:** There is a 2-star key level, which is valid.
- **Momentum:** The momentum is very strong.
- **Kink:** The bearish engulfing candle is located along with the key level.
- **Trend Line:** The trend line condition is satisfied.
- **Trade Classification:** The trade is classified as a low risk setup since all the boxes were ticked.
- The approach of price to the decision point is good.

Key Level Continuation (KLC)



Variables: KL, Momentum, Kink, Trend Line.

- **KL:** There is 4-star key level.
- **Momentum:** The price accelerated well at first but started to weaken as the price continued pushing down. The momentum is classified as fairly strong.
- **Kink:** The hidden base kink is allocated along with the key level.
- **Trend Line:** The trend line condition is satisfied.
- **Trade Classification:** This trade is categorized as a low risk trade since the condition of momentum is questionable.



Key Level Continuation (KLC)

Variables: KL, Momentum, Kink, Trend Line.

- **KL:** The key level is a 3 star.
- **Momentum:** The momentum of price is very strong to the downside.
- **Kink:** In this case, there is no valid decision point.
- **Trend Line:** The trend line is valid.
- **Trade Classification:** The trade is classified as a low risk trade because there is no valid decision point.



Key Level Continuation (KLC)

Variables: KL, Momentum, Kink, Trend Line.

- **KL:** The key level is a 4 star.
- **Momentum:** The momentum of price to the downside is strong. However, the price reduced its momentum to some extent before coming back to the zone of interest.
- **Kink:** There is no valid decision point in this case.
- **Trend Line:** The trend line condition was met.
- **Trade Classification:** This trade is categorized as a low risk setup.

Key Level Continuation (KLC)



Variables: KL, Momentum, Kink, Trend Line.

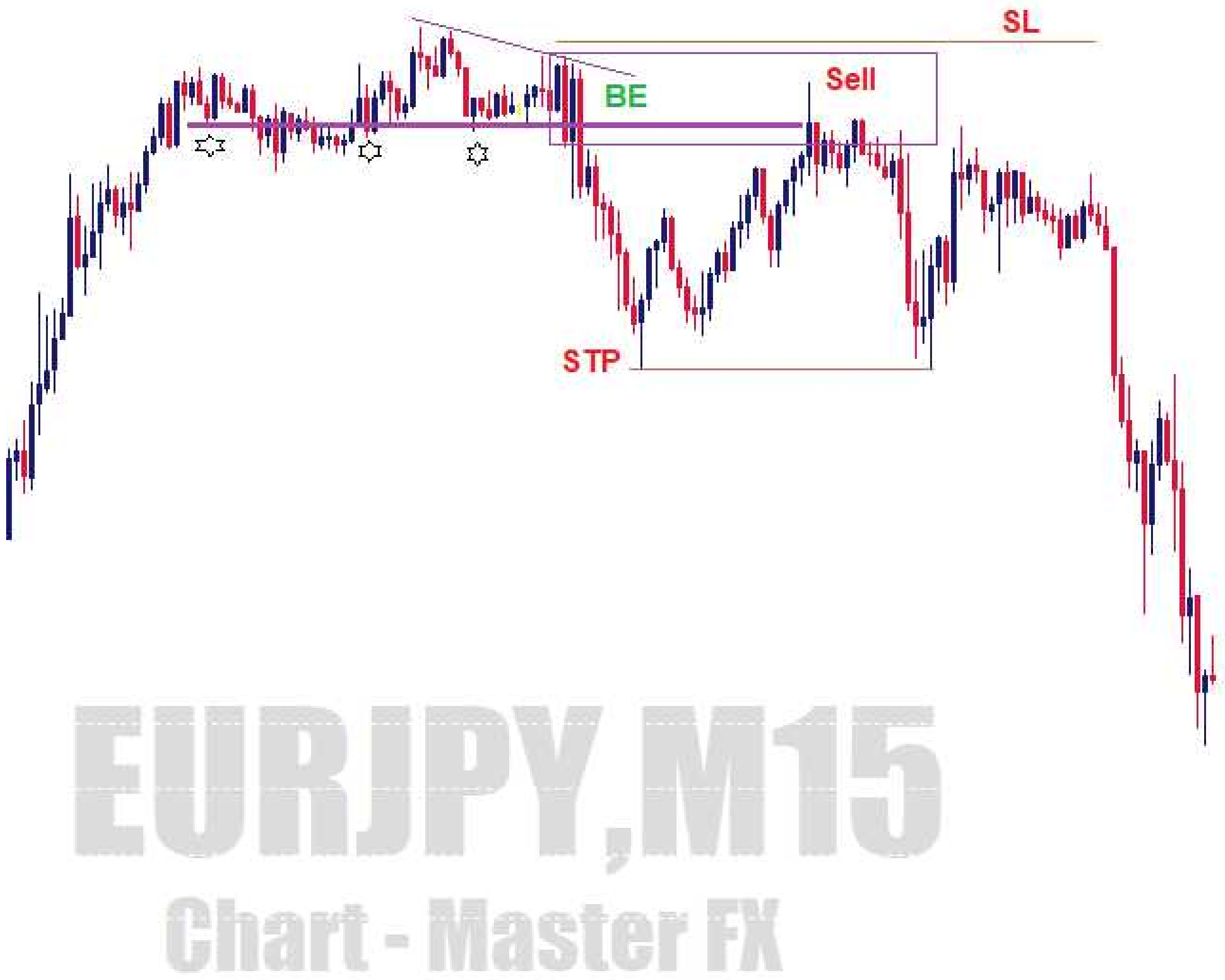
- **KL:** There is a 4-star key level.
- **Momentum:** The momentum is strong with some pauses.
- **Kink:** The kink is allocated along with the key level. The kink is in the form of a bearish engulfing candle pattern.
- **Trend Line:** The trend line is valid.
- **Trade Classification:** This trade is categorized as a low risk setup.

Key Level Continuation (KLC)



Variables: KL, Momentum, Kink, Trend Line

- **KL:** There is a 3-star key level.
- **Momentum:** The momentum is strong.
- **Kink:** The kink in the form of a bearish engulfing candle pattern, aligned with the key level.
- **Trend Line:** The trend line is valid.
- **Trade Classification:** This trade is categorized as a low risk setup.
- The price compressed to the decision point of interest.



Key Level Continuation (KLC)

Variables: KL, Momentum, Kink, Trend Line.

- **KL:** The key level has multiple support touches (3-star).
- **Momentum:** The momentum of price is strong.
- **Kink:** The kink (BE) is aligned with the key level.
- **Trend Line:** The trend line has two touches.
- **Trade Classification:** This trade is categorized as a low risk setup.

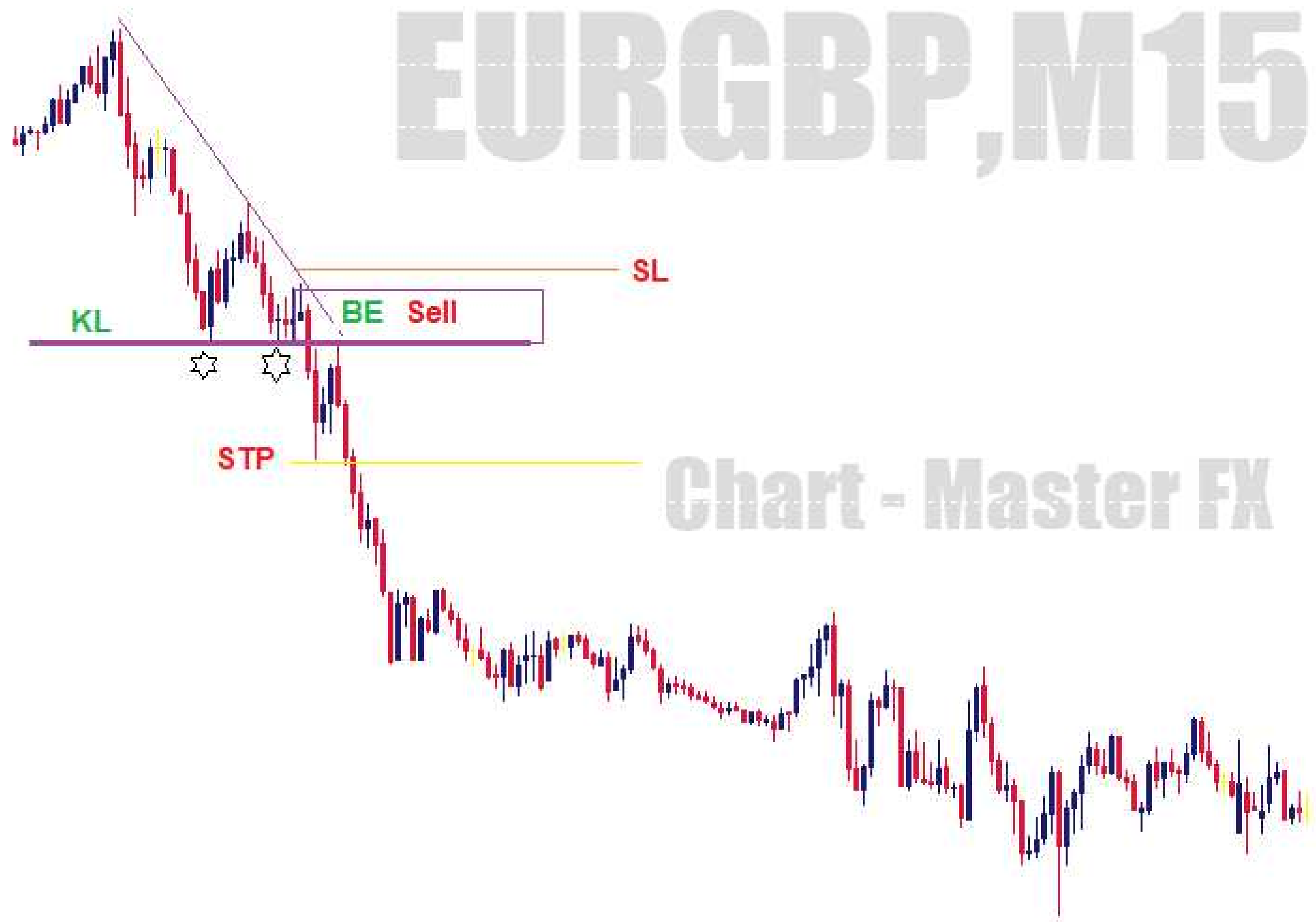
Key Level Continuation (KLC)

Variables: KL, Momentum, Kink, Trend Line



- **KL:** There is a 3-star key level.
- **Momentum:** The momentum is very strong.
- **Kink:** There is a valid BE-kink.
- **Trend Line:** The trend line is valid.
- **Trade Classification:** This trade is categorized as a low risk setup.

Key Level Continuation (KLC)



Variables: KL, Momentum, Kink, Trend Line.

- **KL:** The key level is a 2 star.
- **Momentum:** The momentum of price very strong to the downside.
- **Kink:** The kink is in the form of a bearish engulfing.
- **Trend Line:** The trend line is valid.
- **Trade Classification:** This trade is categorized as a low risk setup.
- The price made a quick retest to the decision point of interest.

Key Level Continuation (KLC)

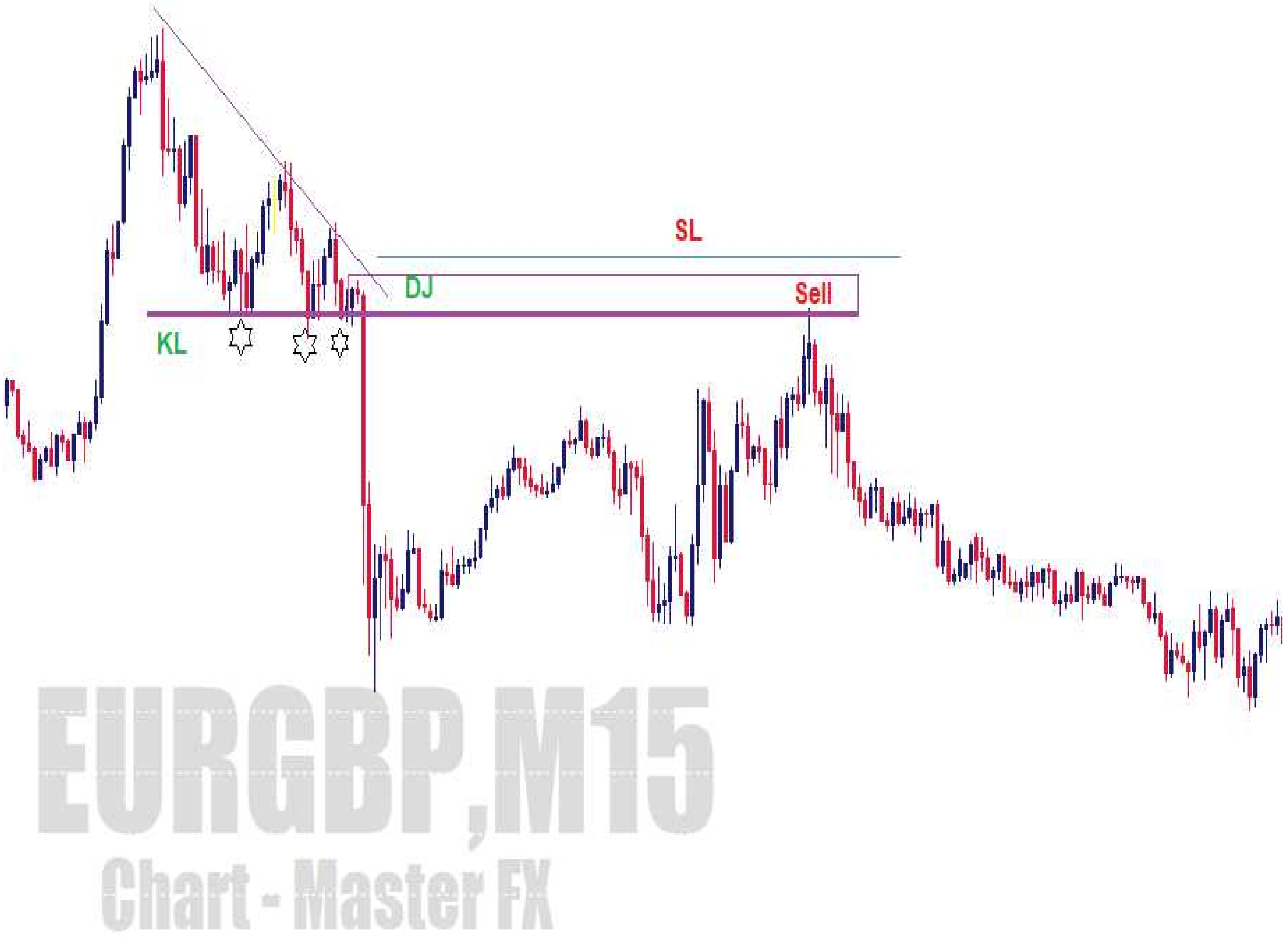
Variables: KL, Momentum, Kink, Trend Line.



- **KL:** The key level is in the form of a 2 star.
- **Momentum:** The momentum of price is fairly strong.
- **Kink:** The kink is in the form of a Mera Mera.
- **Trend Line:** There is a trend line of three touches.
- **Trade Classification:** The trade is categorized as a high risk setup since the momentum is questionable.

Key Level Continuation (KLC)

Variables: KL, Momentum, Kink, Trend Line.



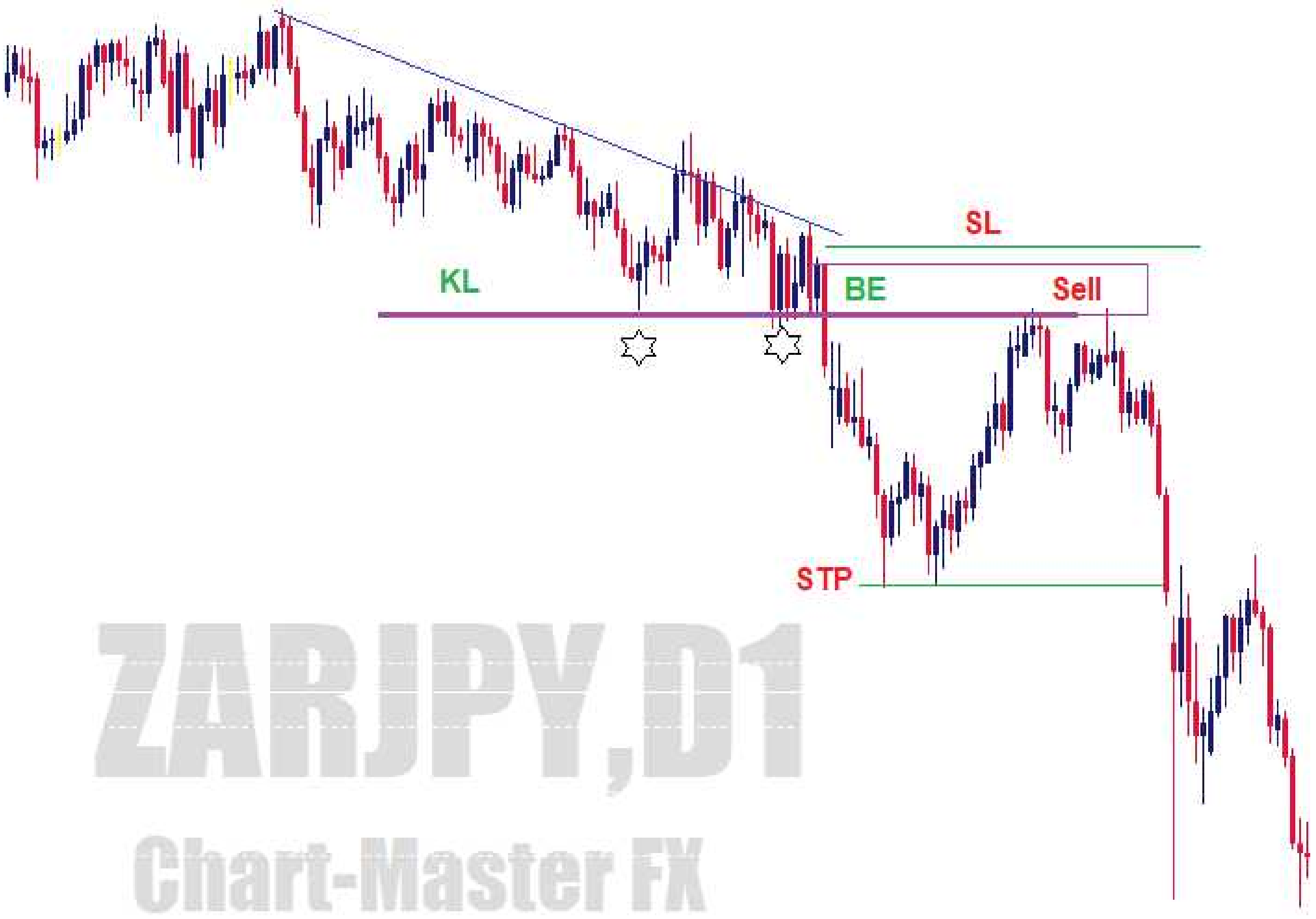
- **KL:** The key level is in the form of a 3 star.
- **Momentum:** The momentum is very strong, almost like a straight line.
- **Kink:** The kink is in the form of a Doji.
- **Trend Line:** The trend line has three touches and is valid.
- **Trade Classification:** The trade is classified as a low risk trade since all the conditions have been met.
- The price compressed to the decision point of interest and dropped.

Key Level Continuation (KLC)

Variables: KL, Momentum, Kink, Trend Line.



- **KL:** The key level is a 2 star and valid.
- **Momentum:** The momentum of price to the downside is strong.
- **Kink:** The kink (BE) is aligned with the magic level.
- **Trend Line:** The trend line is there and valid although not perfect.
- **Trade Classification:** This trade is categorized as a high risk setup.
- The approach of price to the kink is good.



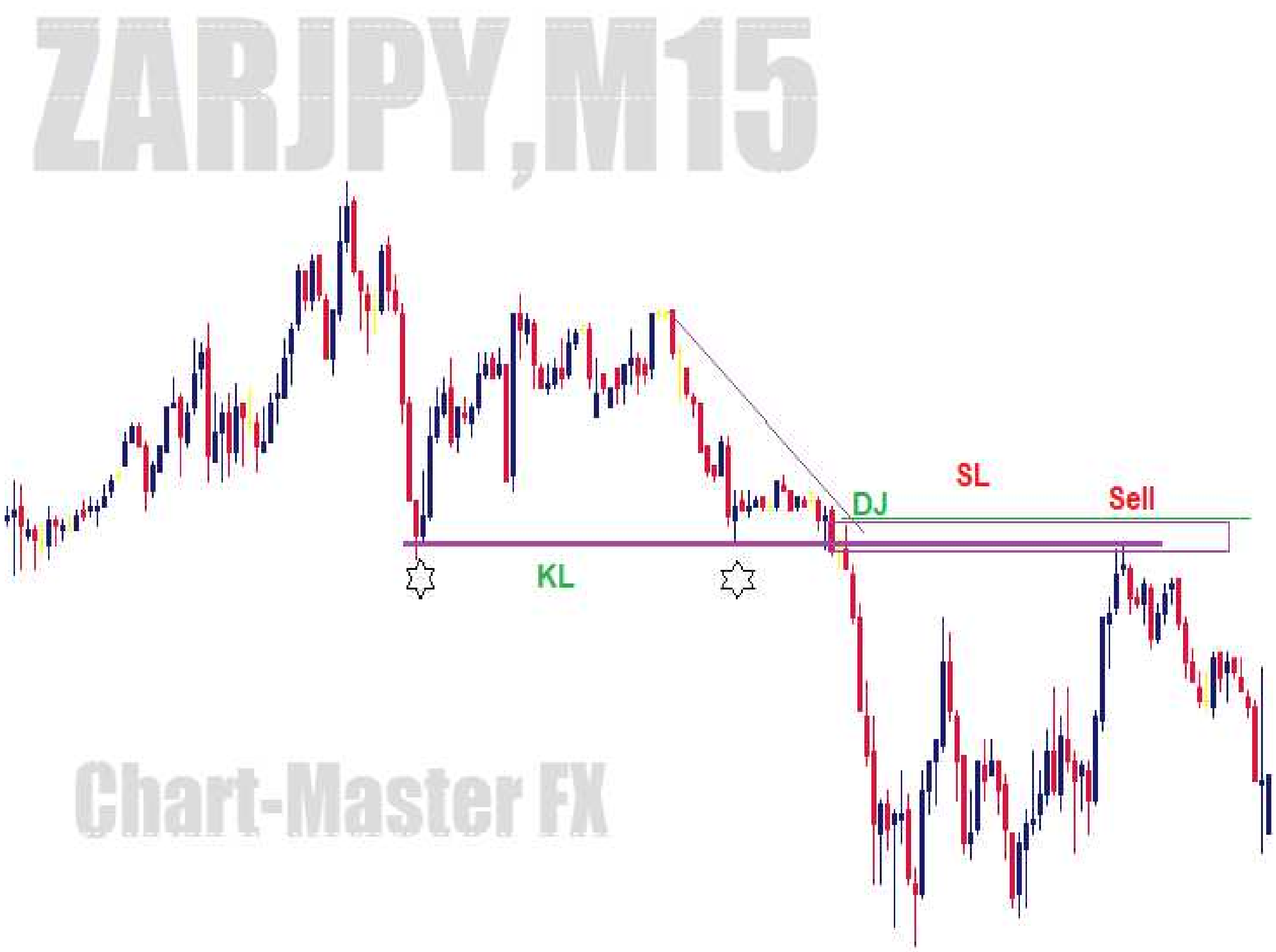
Key Level Continuation (KLC)

Variables: KL, Momentum, Kink, Trend Line.

- **KL:** There is a two-star key level.
- **Momentum:** The momentum of price is fairly strong.
- **Kink:** The kink (BE) is aligned with the magic line.
- **Trade Classification:** The trade is classified as a high risk setup.

Key Level Continuation (KLC)

Variables: KL, Momentum, Kink, Trend Line.



- **KL:** The KL is rated as a two-star.
- **Momentum:** The acceleration of price to the downside is very strong.
- **Kink:** The kink (DJ) is perfectly aligned with the key level.
- **Trend Line:** The trend line has two touches and is valid.
- **Trade Classification:** This trade is categorized as a low risk setup.



Key Level Continuation (KLC)

Variables: KL, Momentum, Kink, Trend Line.

- **KL:** The key level is a 3 star.
- **Momentum:** The acceleration of price is strong.
- **Kink:** The kink (HB) is valid.
- **Trend Line:** The trend line is not perfect but valid.
- **Trade Classification:** This trade is categorized as a low risk setup.
- The approach of price to the decision point is good since the price approached the zone slowly.

Key Level Continuation (KLC)

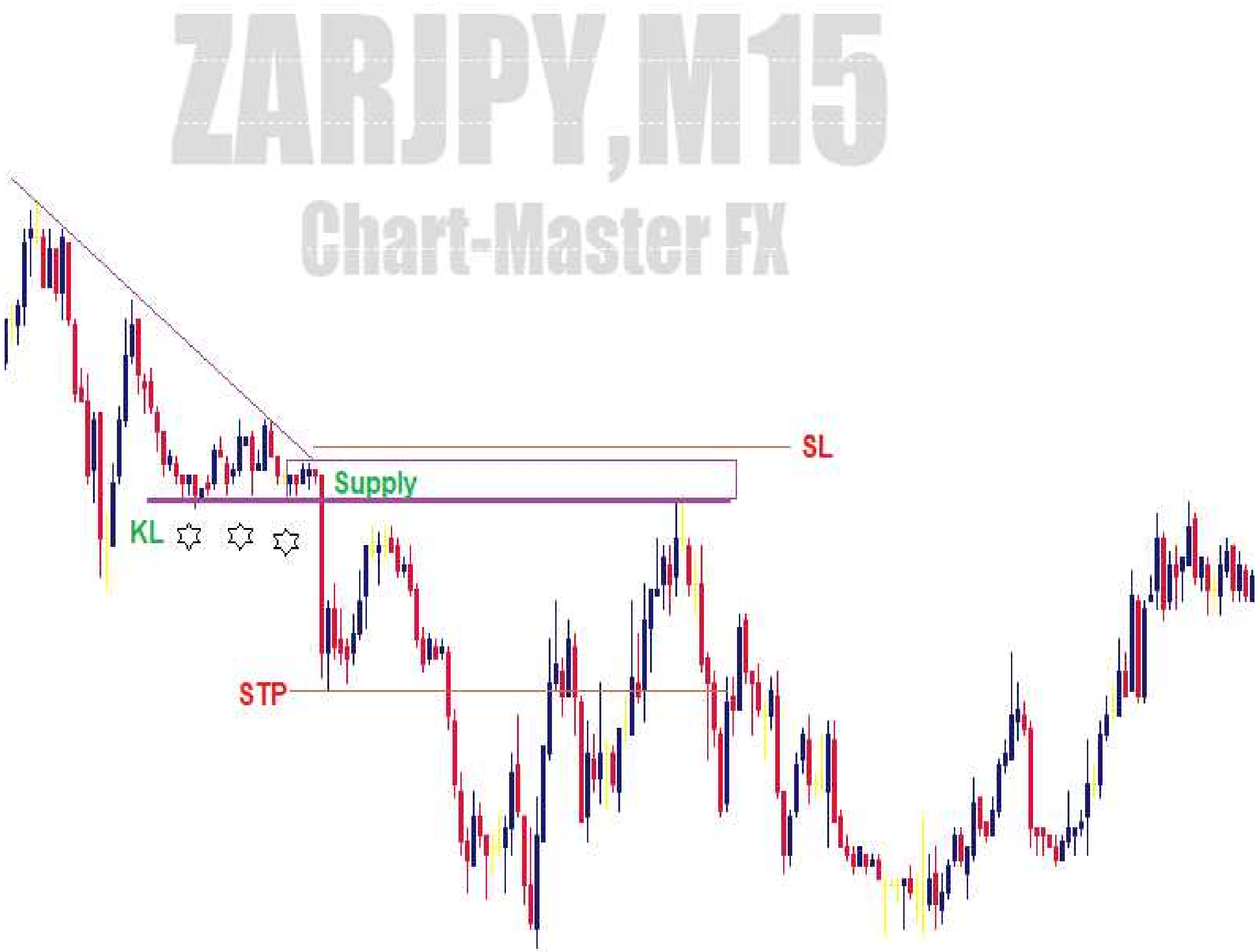
Variables: KL, Momentum, Kink.



- **KL:** The key level is a 5 star.
- **Momentum:** The momentum is very strong to the downside and the price made a quick retracement to the magic line.
- **Kink:** The kink is in the form of a Doji.
- **Trade Classification:** This trade is categorized as a low risk setup since all boxes were ticked.

Key Level Continuation (KLC)

Variables: KL, Momentum, Kink, Trend Line.



- **KL:** The key level is 3 star.
- **Momentum:** The acceleration of price is strong to the downside.
- **Kink:** There is no valid kink in this case.
- **Trend Line:** The trend line is valid.
- **Trade Classification:** This trade is categorized as a high risk setup because it failed to pass the momentum test and does not have a valid decision point.
- The approach of price is in the form of a slow movement which is good.



Key Level Continuation (KLC)

Variables: KL, Momentum, Kink, Key Level.

- **KL:** The key level is a 6 star.
- **Momentum:** The acceleration of price is very strong.
- **Kink:** There is no kink associated with the magic level.
- **Trend Line:** The trend line is valid and has 3 touches.
- **Trade Classification:** This trade is categorized as a low risk setup.

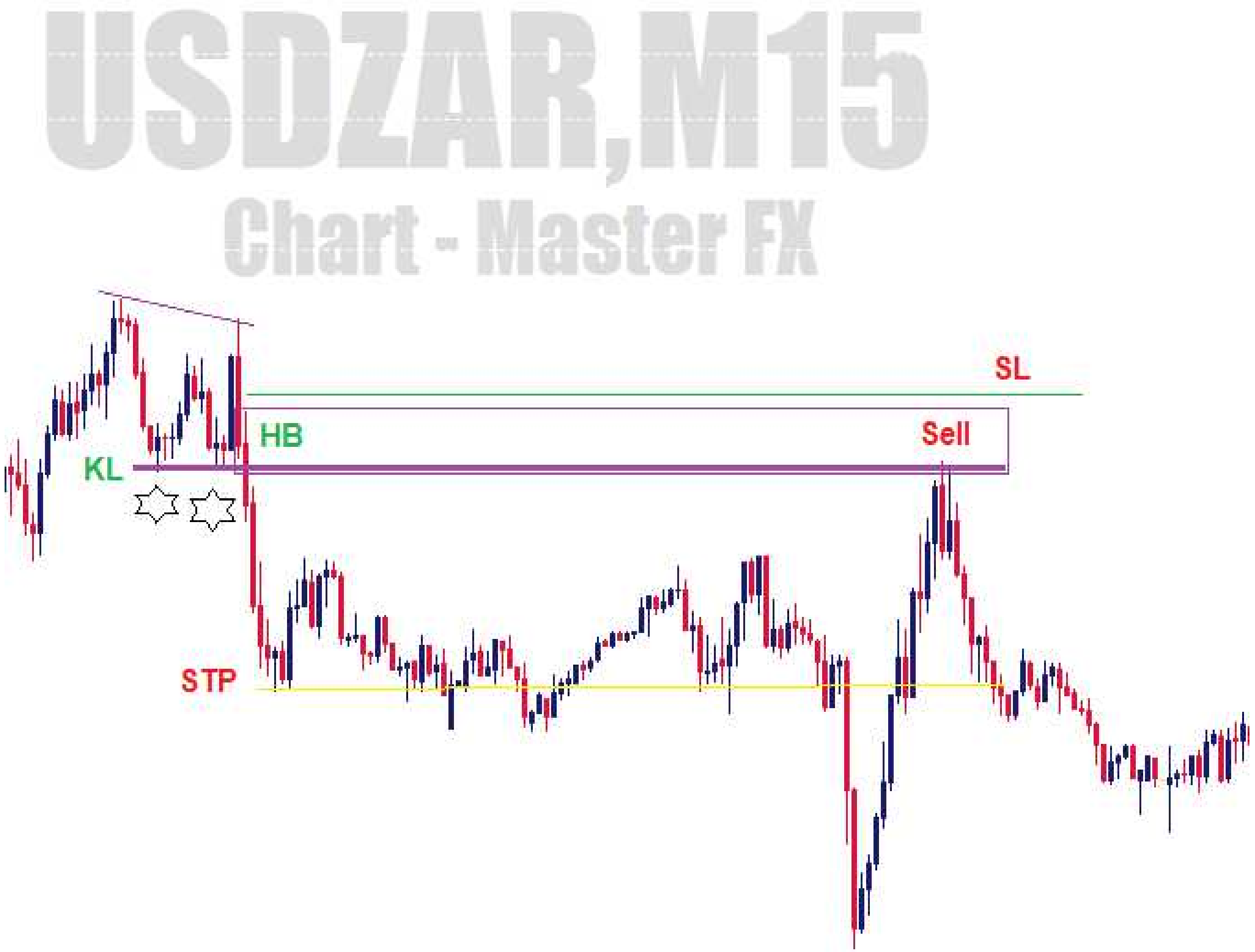


Key Level Continuation (KLC)

Variables: KL, Momentum, Kink, Trend Line.

- **KL:** There is a 2 star key level.
- **Momentum:** The acceleration of price is fairly strong.
- **Kink:** The kink (BE) is aligned with the key level.
- **Trend Line:** The trend line has three touches and is valid.
- **Trade Classification:** This trade is categorized as a high risk setup.

Key Level Continuation (KLC)



Variables: KL, Momentum, Kink, Trend Line.

- **KL:** The key level has two support touches (2-star).
- **Momentum:** The momentum of price is fairly strong.
- **Kink:** The kink (HB) is aligned with the key level.
- **Trend Line:** The trend line has two touches and is valid.
- **Trade Classification:** This trade is categorized as a high risk setup.

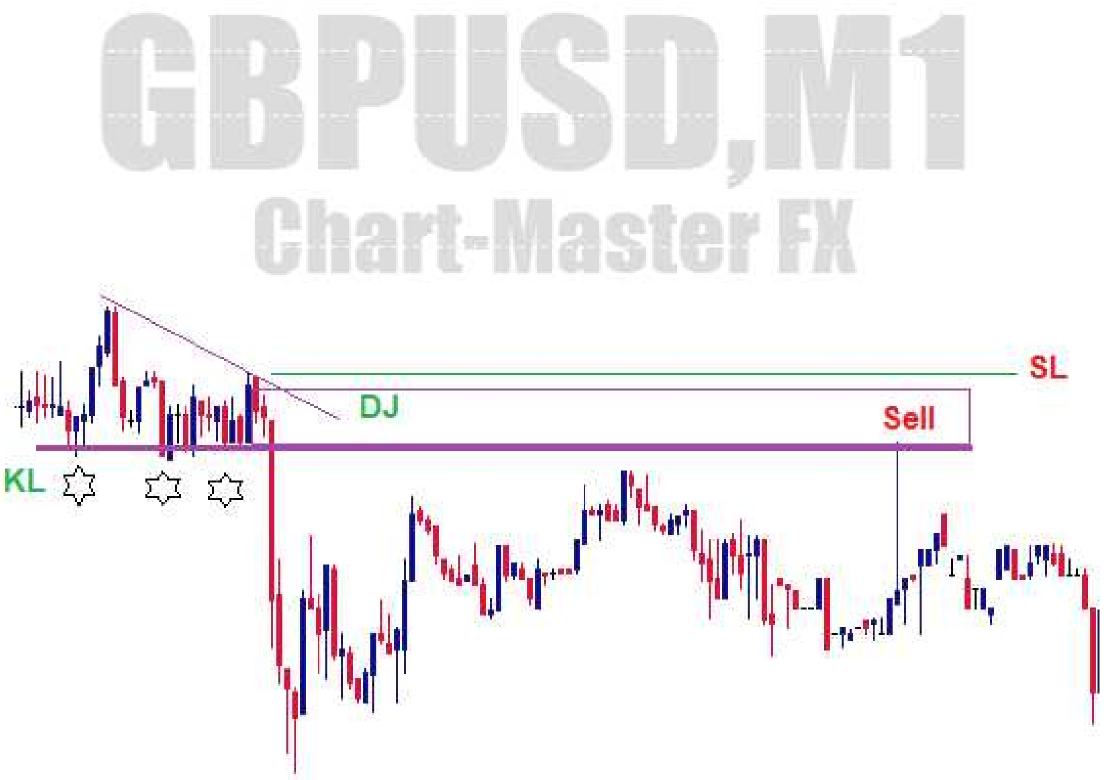
Key Level Continuation (KLC)

Variables: KL, Momentum, Kink, Trend Line.



- **KL:** There is a 3-star key level.
- **Momentum:** The acceleration of price to the downside is strong.
- **Kink:** The kink is in the form of a hidden base.
- **Trend Line:** The trend line condition is satisfied.
- **Trade Classification:** This trade is categorized as a low risk setup.

Key Level Continuation (KLC)

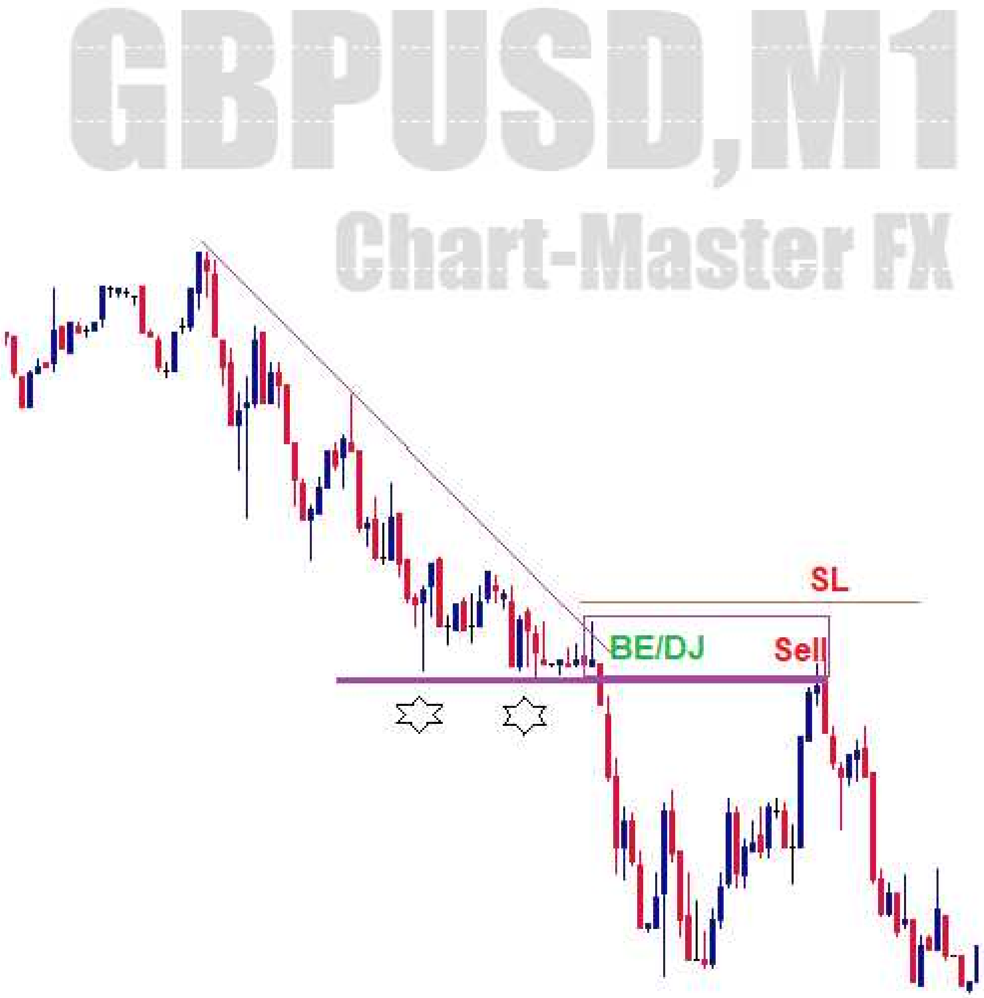


Variables: KL, Momentum, Kink, Trend Line.

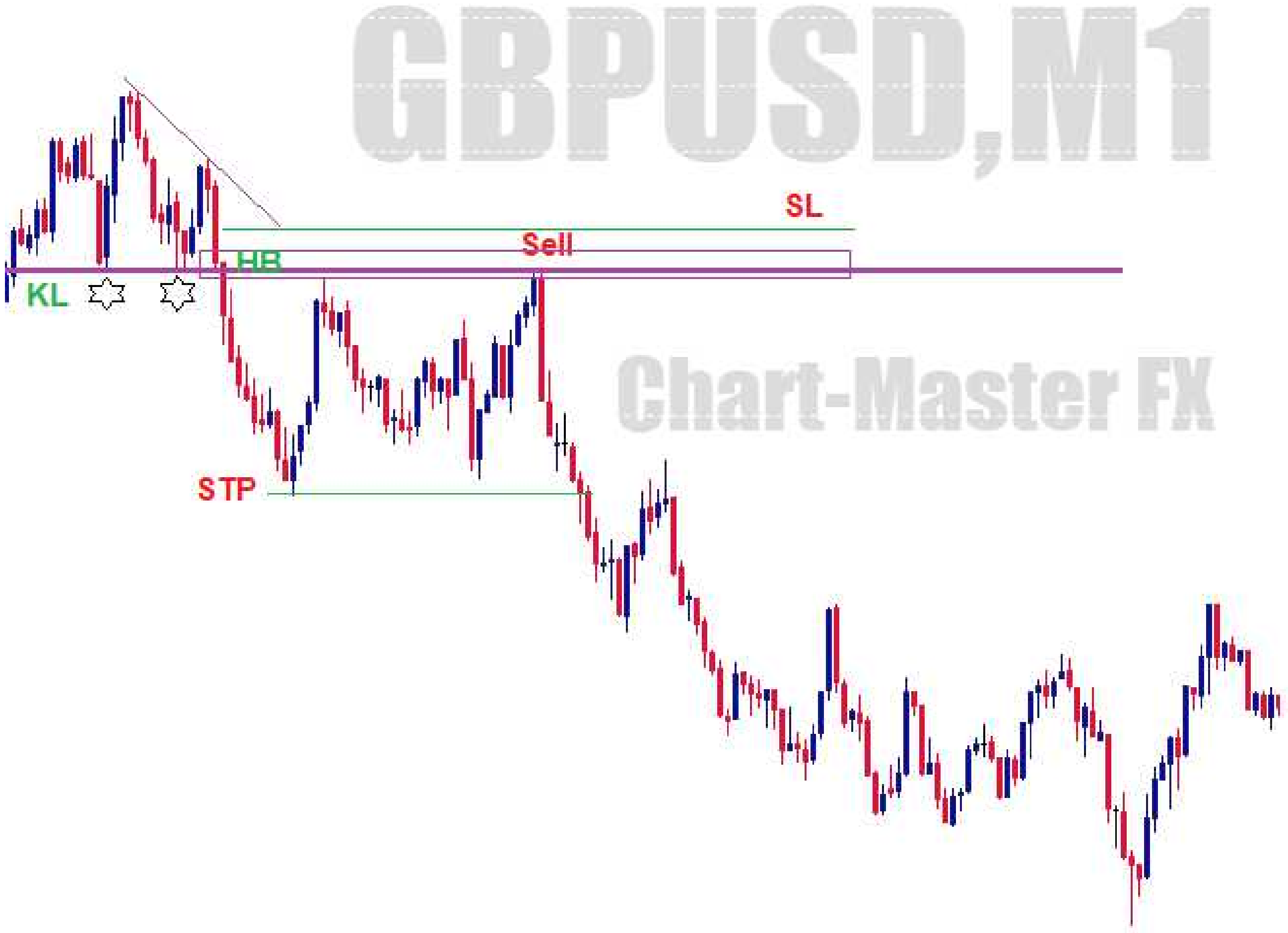
- **KL:** The key level has multiple support touches (3-star).
- **Momentum:** The acceleration of price is very strong.
- **Kink:** The kink is in the form of a Doji.
- **Trend Line:** The trend line has two touches and is valid.
- **Trade Classification:** This trade is categorized as a low risk setup.
- The price compressed to the decision point, which is an added advantage.

Key Level Continuation (KLC)

Variables: KL, Momentum, Kink, Trend Line.



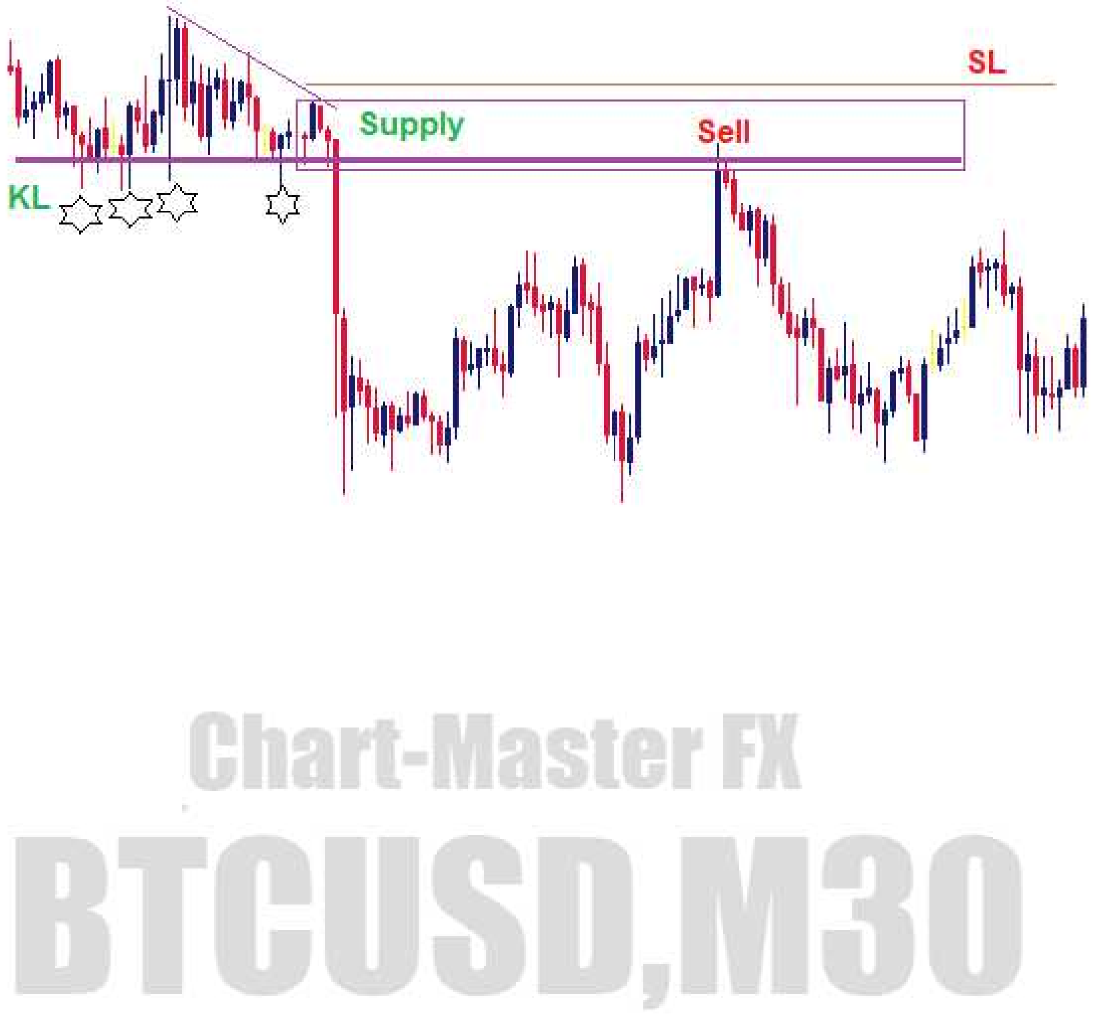
- **KL:** The key level has two support touches (2-star).
- **Momentum:** The momentum of price is very strong.
- **Kink:** The kink (BE/DJ) is valid.
- **Trend Line:** The trend line is uniform to the downside.
- **Trade Classification:** This trade is categorized as a low risk setup.



Key Level Continuation (KLC)

Variables: KL, Momentum, Kink, Trend Line.

- **KL:** The key level is a two-star.
- **Momentum:** The acceleration is strong.
- **Kink:** There is a valid kink which is a hidden base.
- **Trend Line:** The trend line is valid with only two touches.
- **Trade Classification:** This trade is classified as a high risk setup.



Key Level Continuation (KLC)

Variables: KL, Momentum, Kink, Trend Line.

- **KL:** The key level has multiple support touches (4-star).
- **Momentum:** The momentum of price is very strong.
- **Kink:** There is no definite kink.
- **Trend Line:** The trend line is valid with three connecting touches.
- **Trade Classification:** This trade is categorized as a low risk setup.



Key Level Continuation (KLC)

Variables: KL, Momentum, Kink, Trend Line.

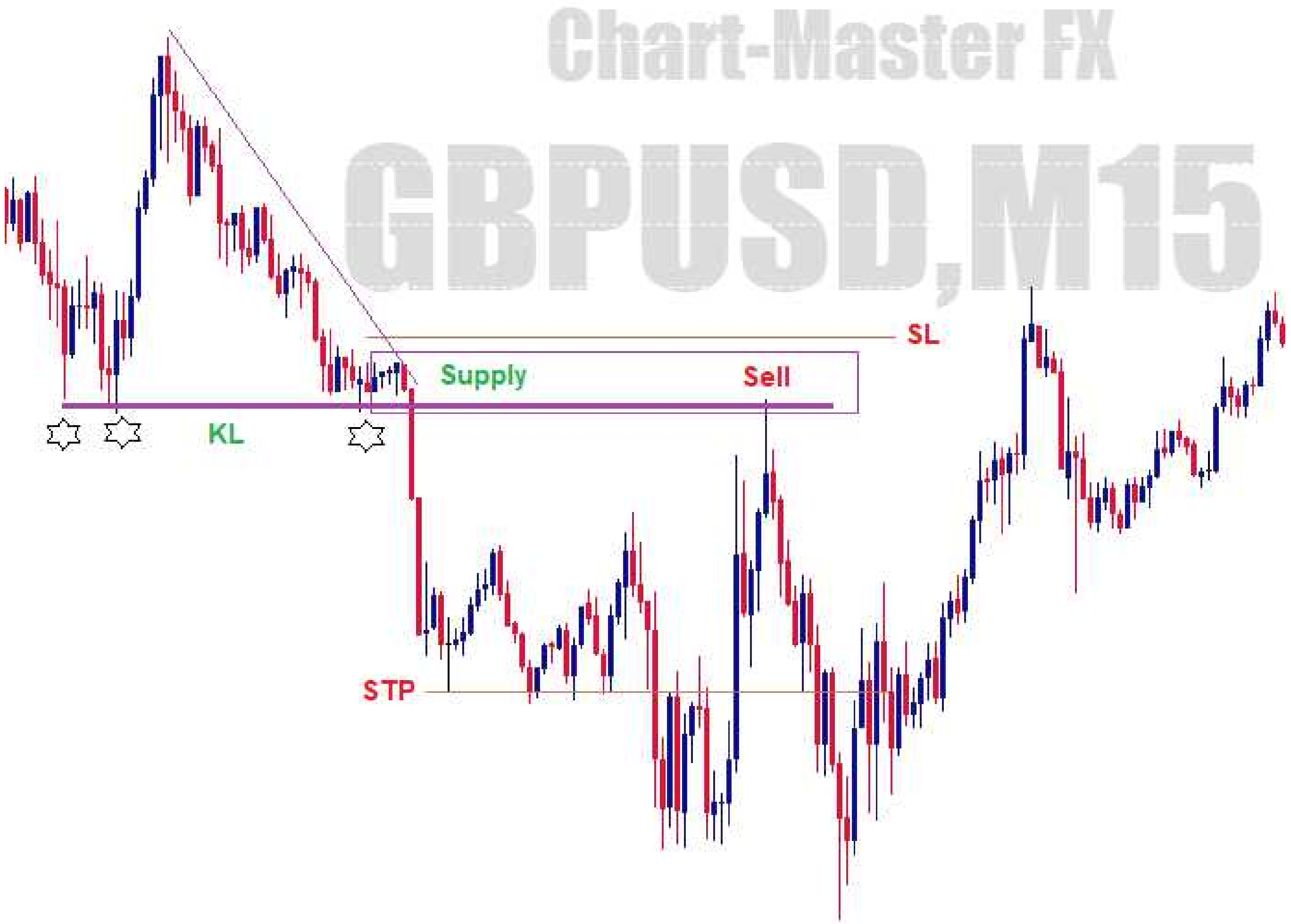
- **KL:** The key level has 3 stars.
- **Momentum:** The momentum of price is strong to the downside.
- **Kink:** There is a valid kink aligned with the key level, which is a hidden base.
- **Trend Line:** The trend line has four touches and is uniform.
- **Trade Classification:** This trade is categorized as a low risk setup.

Key Level Continuation (KLC)

Variables: KL, Momentum, Kink, Trend Line.



- **KL:** The key level is valid, with multiple support touches (3-star).
- **Momentum:** The momentum of price is very strong.
- **Kink:** The kink is not valid.
- **Trend Line:** The trend line condition is satisfied.
- **Trade Classification:** This trade is classified as a low risk setup.
- The approach of price to the zone of interest is in slow motion, which is good.



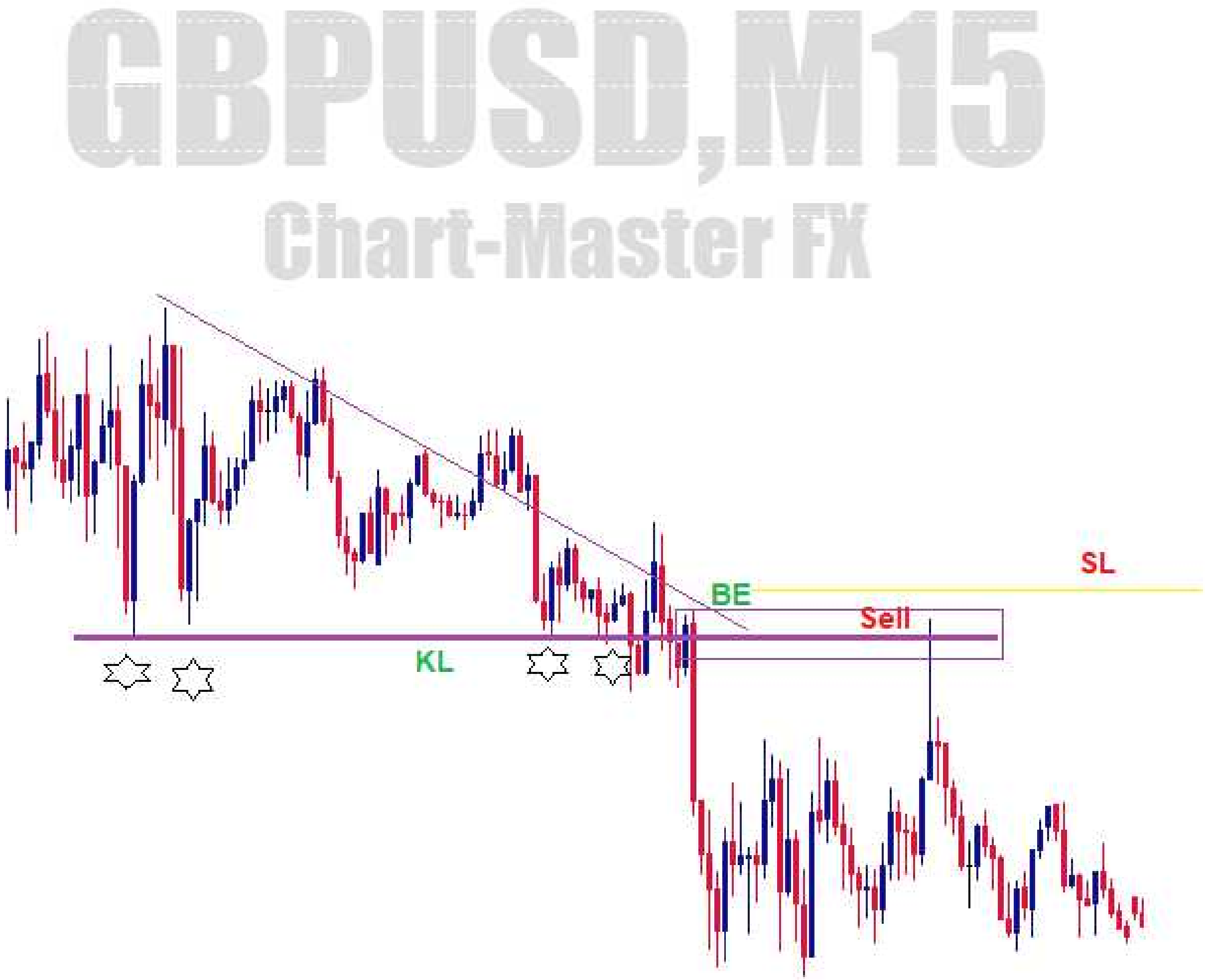
Key Level Continuation (KLC)

Variables: KL, Momentum, Kink, Trend Line.

- **KL:** The key level has multiple support touches (3-star).
- **Momentum:** The acceleration of price is good for the first time, thereafter the momentum weakened. The momentum is generally classified as strong.
- **Kink:** The kink is in the form of a bearish engulfing. However, the trade reacted on the key level area.
- **Trend Line:** The trend line is valid and uniform.
- **Trade Classification:** The trade is classified as a high risk setup.

Key Level Continuation (KLC)

Variables: KL, Momentum, Kink, Trend Line.



- **KL:** There is a 4-star key level.
- **Momentum:** The momentum of price is very strong.
- **Kink:** The kink (BE) is aligned with the key level.
- **Trend Line:** The trend line is not uniform but valid.
- **Trade Classification:** This trade is categorized as a low risk setup.
- The approach of price to the kink was in slow motion which is a good price approach.



Chapter Six [IHS]

Ignored Head and Shoulder

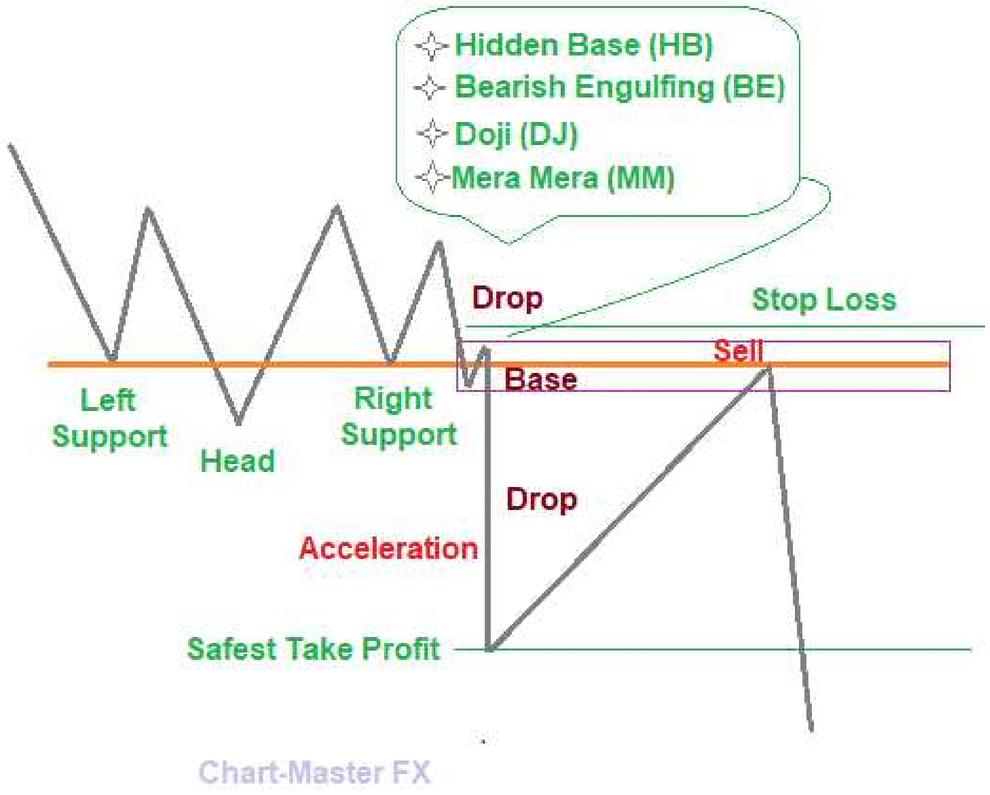
Ignored Head and Shoulder

Anatomy

The IHS has the following integral components: the left support, head, and the right support.

The other important components are the DBD, acceleration, and a decision point in the form of an HB, BE, DJ or MM.

In this book, the focus is on the sell setup. Nevertheless, this strategy can also work for a buy setup. It is just the opposite of this anatomy (holding all things constant).



Ignored Head and Shoulder SWOT Analysis

IHS Strengths

- There is a definite place to put the stop loss.

IHS Weaknesses

- The main drawback of this setup is identifying it with precision in the market since there are a lot of variations.

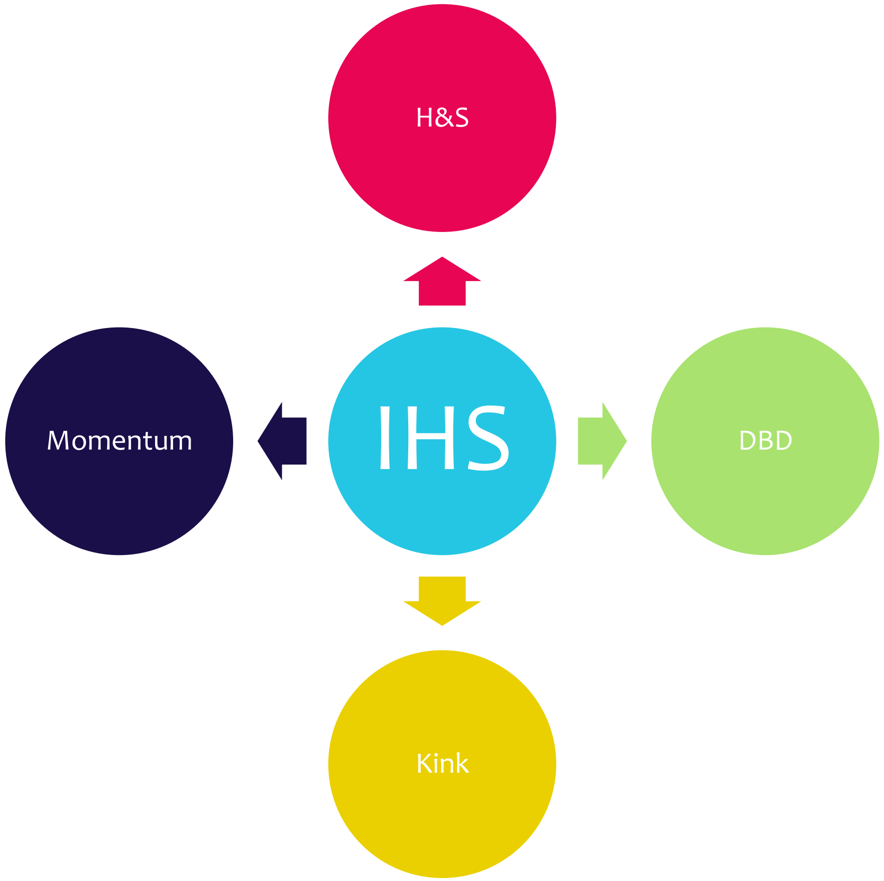
Ignored Head and Shoulder Commandments

Rubrics	Elucidations
• There should be a Head and Shoulder formed. • There should be a line connecting the two shoulders of the setup. • Along the line connecting the shoulders, a kink in the form of a DBD should be created. • A kink should be a reaction of the neckline. • There should be heavy acceleration to the downside.	• The engulf feature can be added to this setup. Instead of focusing on the head and shoulder pattern, the focus can also be on the ignored Quasimodo pattern . To keep things simple , the focus in this book is on the head and shoulder pattern.

Ignored Head and Shoulder Variables

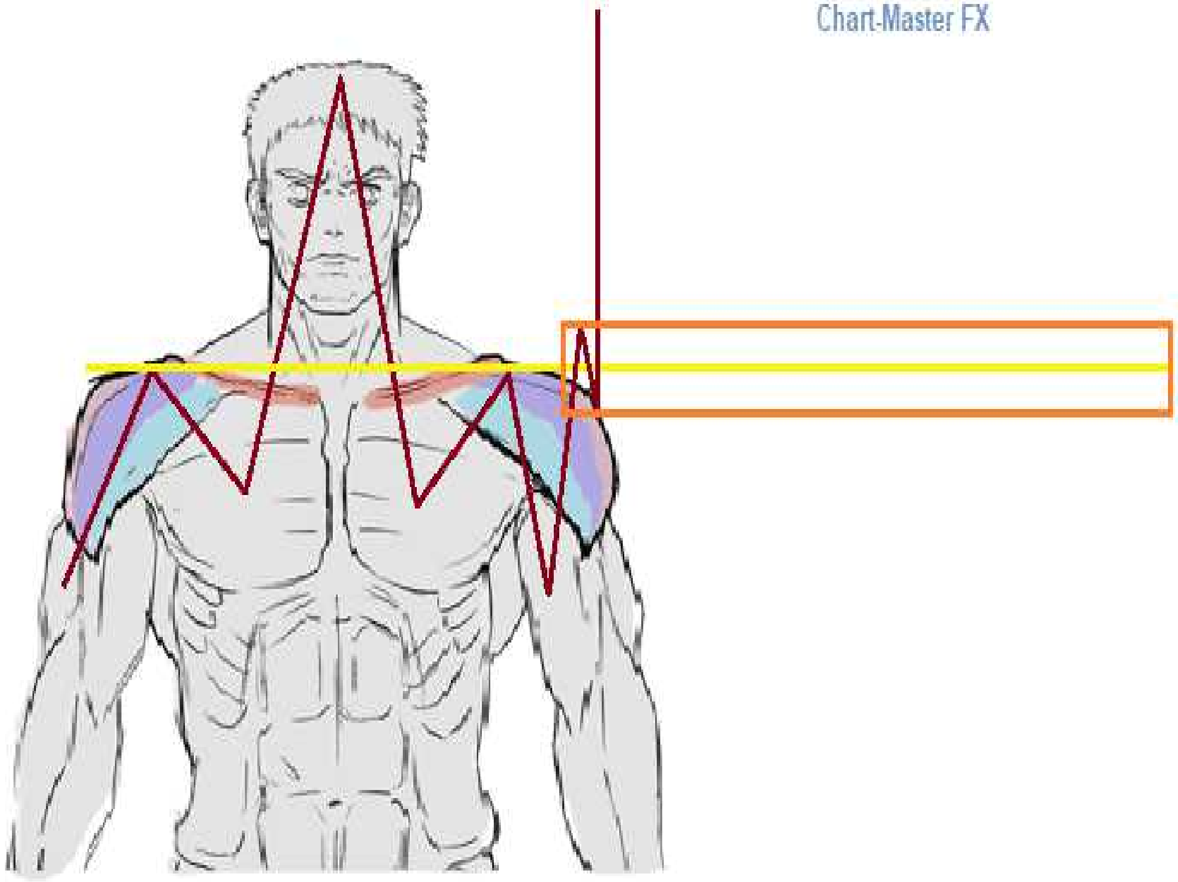
Variables

There are generally four variables to consider during trade classification.
The variables are H&S, DBD, Kink, and Momentum.



H&S

The head and shoulder pattern is key in this standard operating procedure. The shoulders should be exactly positioned at the same level. The yellow line is called the magic line or neckline. A kink created should be aligned with the magic line. Sometimes the shoulders might not be aligned, therefore, there is need select the shoulder that is directly responsible in the creation of the kink of interest.



DBD Variable

DBD

The drop base drop should be a product of the head and shoulder pattern. The base is a kink that is formulated as a reaction of the magic line. The drop base drop structure is clearly shown on the anatomy of the IHS.

Kink Variable

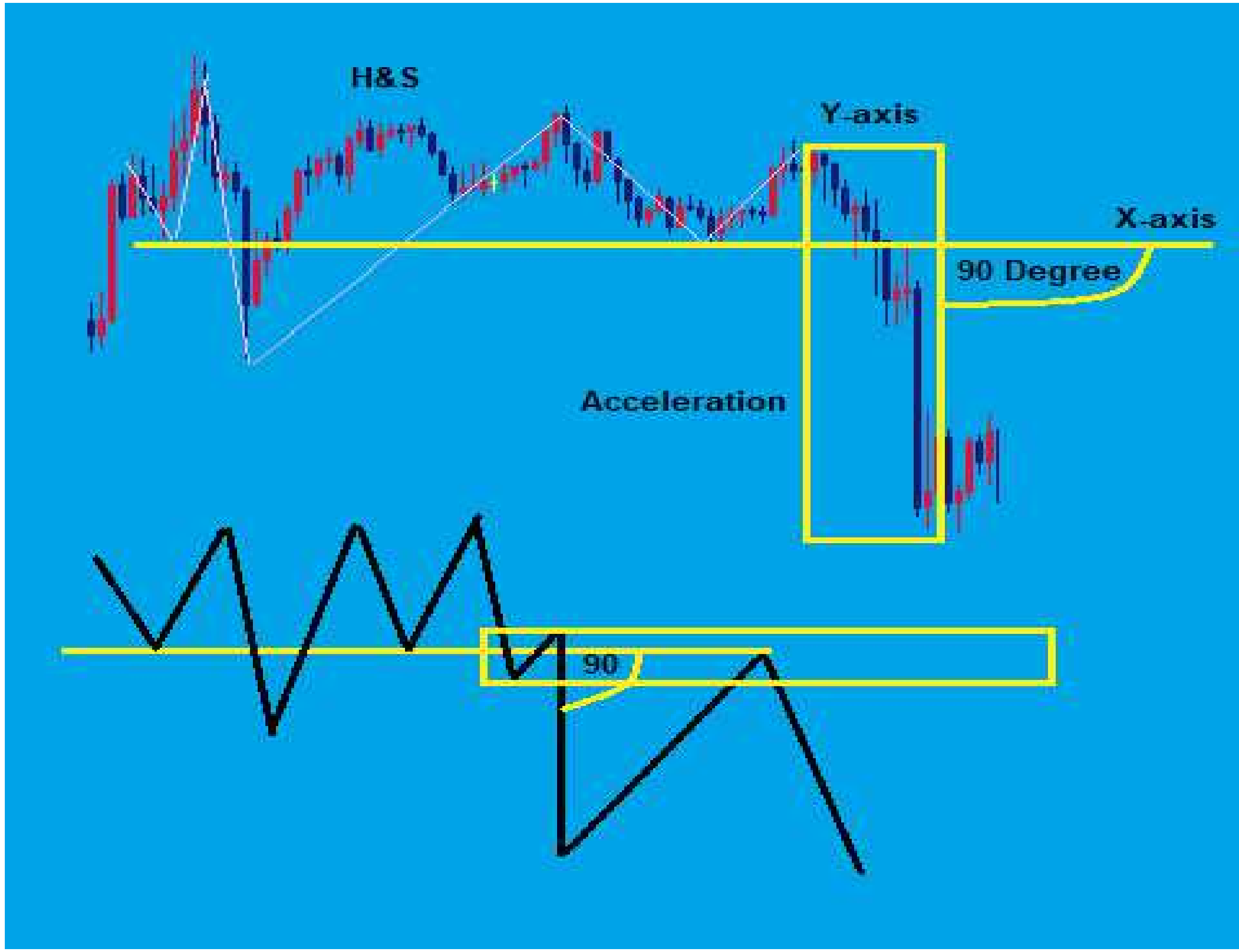
Kink

The kink is created during the DBD creation. The kink should be a reaction of the neckline. The kink is considered valid if it is in the form of an HB, BE, DJ or MM.

Momentum Variable

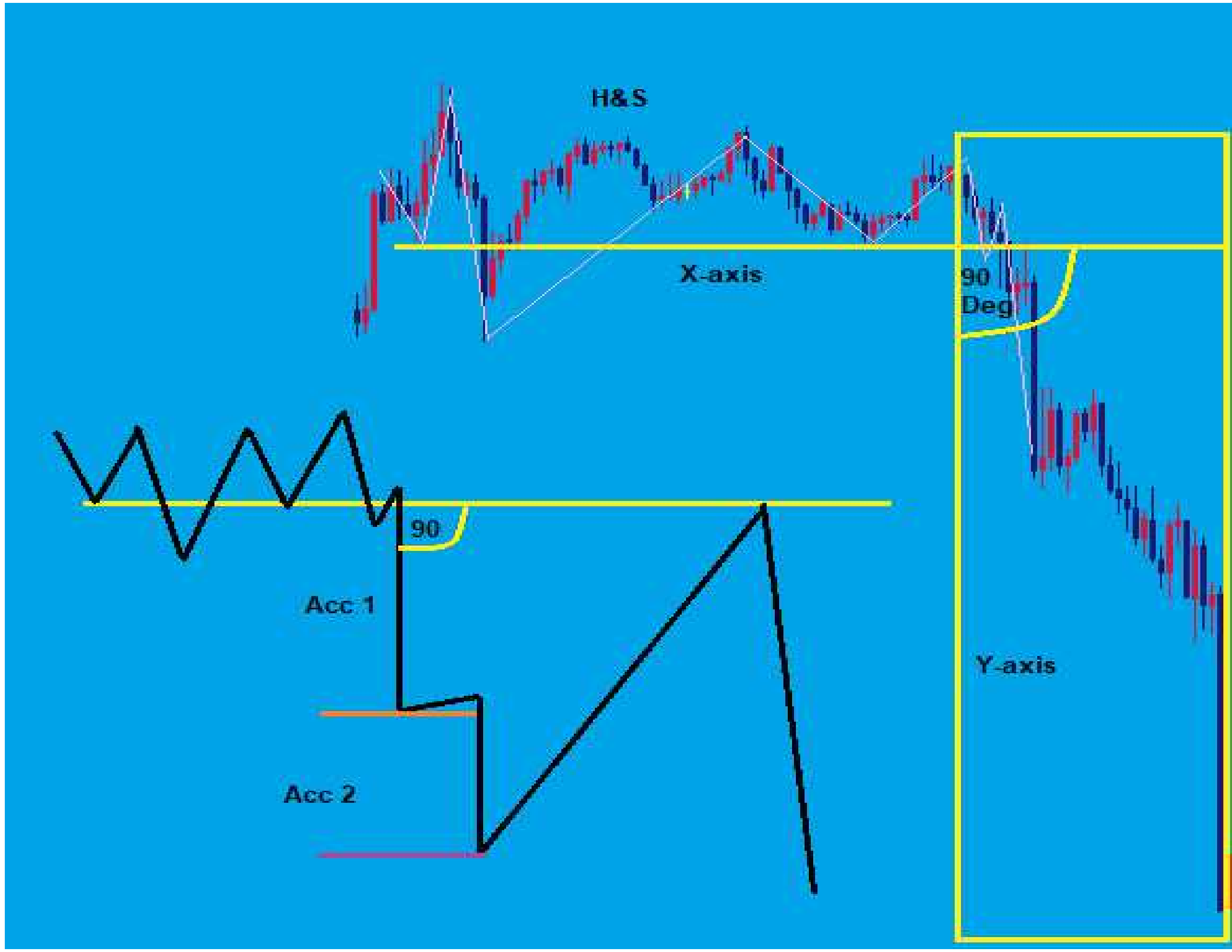
Momentum

The neckline (x-axis) should intersect with the acceleration (y-axis) at a 90 degree angle. The acceleration should be perfect just like a straight line. This type of momentum is classified as "very strong".



Momentum

This type of momentum is not perfect but still valid. The momentum can be divide into two parts (ACC 1 and ACC 2). The two accelerations should be straight. This type of momentum is categorized as “strong”.



Classification Algorithm

H&S Factors:
(1) Yes (Valid) – Trade.
(2) No (Invalid) - No Trade.

DBD: Yes (Valid) - Trade.
No (Invalid) - No Trade.

Kink: Yes (Valid) - Trade.
No (Invalid) - No Trade.

MM: Very Strong (VS).
Strong (S).
Fairly Strong (FS).

TC = Trade Classification.

	1	2	3
H&S	Yes	Yes	Yes
DBD	Yes	Yes	Yes
Kink	Yes	Yes	Yes
MM	VS	S	FS
TC	Low Risk	Medium Risk	High Risk

Classification Description

Low Risk	Medium Risk	High Risk
There are three static variables in this algorithm namely H&S, DBD, and Kink. These conditions must be valid. A setup can be considered to be a low risk trade if the momentum (MM) is very strong.	Holding the variables H&S, DBD, and Kink constant. A setup can be considered to be a medium risk trade if it has strong momentum.	Holding the variables H&S, DBD, and Kink constant. A setup can be considered to be a high risk trade if it has a fairly strong momentum.

Chart Examples

Ignored Head & Shoulder (IHS)

Variables: H&S, DBD, Kink, Momentum.

- **H&S:** the left and right support are perfectly aligned.
- **DBD:** The DBD is aligned with the neckline line.
- **Kink:** There is an HB kink aligned with magic line.
- **Momentum:** The momentum of price to the downside is very strong.

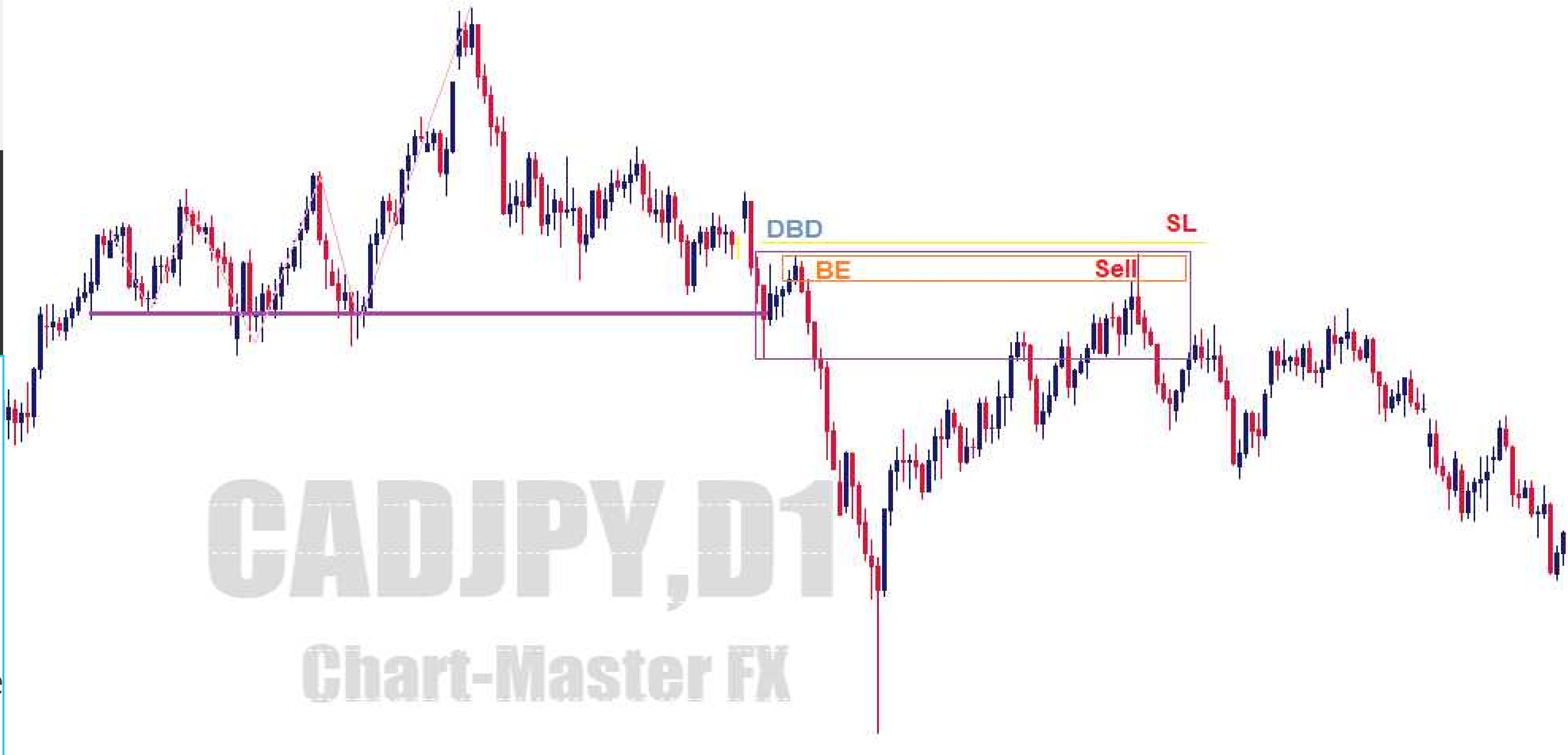


- **Trade Classification:** The trade is classified as a low risk setup (Code 1) since all the conditions are met.

- The price made a quick retest to the decision point of interest.

Ignored Head & Shoulder (IHS)

Variables: H&S, DBD, Kink, Momentum.



- **H&S:** The left and right support are not aligned perfectly. Nonetheless, the kink has the same associated kink.
- **DBD:** The DBD is in the form of a WFL.
- **Kink:** The kink is in the form of a WFL and there is a valid BE-DP inside the WFL.
- **Momentum:** The momentum of price is very strong to the downside. Additionally, the approach of price to the flag limit is good.
- **Trade Classification:** The trade is classified as a low risk (Code 1) trade since all conditions were met.

Ignored Head & Shoulder (IHS)

Variables: H&S, DBD, Kink, Momentum.

- **H&S:** The left and right support are not accurately aligned. However, both shoulders have the same associated kink.
- **DBD:** The DBD is aligned with the neckline.
- **Kink:** The kink can be classified as a WFL or NFL. There is a valid HB-DP.

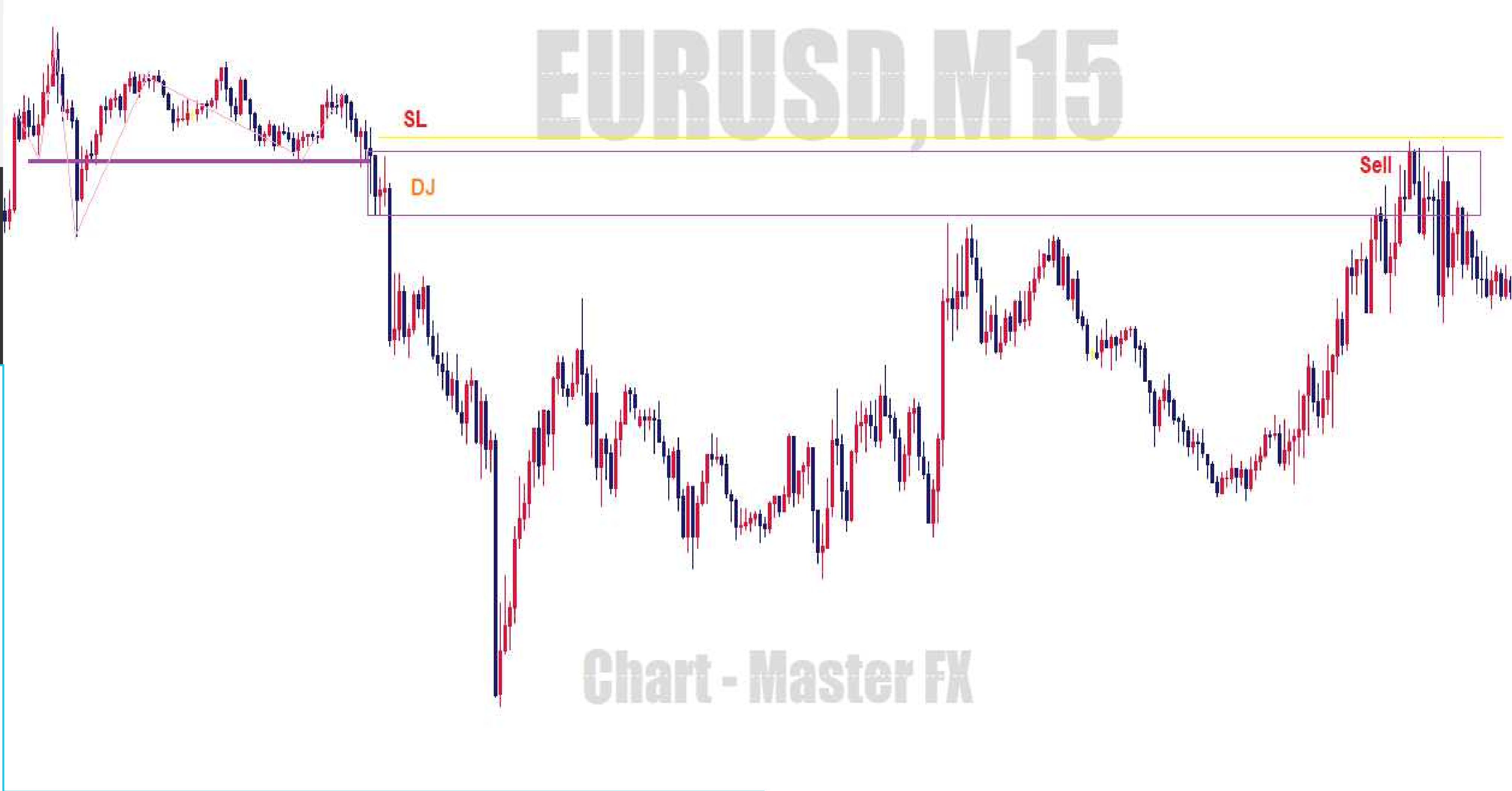


Trade Classification: The trade is classified as a high risk setup (Code 3) since the momentum is questionable and there are multiple entry points inside the FL.

The price managed to react on the HB inside the FL and dropped. However, the momentum of price after the creation of the kink is questionable.

Ignored Head & Shoulder (IHS)

Variables: H&S, DBD, Kink, Momentum.



- **H&S:** The left and right support are perfectly aligned.
- **DBD:** The base of the DBD is a reaction of the magic line.
- **Kink:** A Doji kink was created.
- **Momentum:** The momentum of price is fairly strong to the downside.

- **Trade Classification:** The trade is classified as a high risk setup (Code 3).

- The price tried to come back to the zone of interest but missed it with few pips. The orders might have been consumed at this moment.

Ignored Head & Shoulder (IHS)

Variables: H&S, DBD, Kink, Momentum.



- **H&S:** The left and right support are almost aligned with the same associated kink.
- **DBD:** The base is aligned with the neckline line.
- **Kink:** The kink is in the form of a bearish engulfing.
- **Momentum:** The acceleration of price is strong at first and started to weaken thereafter.
- **Trade Classification:** The trade is classified as a medium risk trade (Code 2) since the momentum is questionable.

Ignored Head & Shoulder (IHS)

Variables: H&S, DBD, Kink, Momentum.



- **H&S:** The structure of the H&S is clear and valid.
- **DBD:** The price made a nice drop base drop.
- **Kink:** The kink is in the form of a hidden base.
- **Momentum:** The acceleration of price is very strong and valid.

- **Trade Classification:** The trade is categorized as a low risk trade (Code 1).

- The price approached the zone of interest by compression.

Ignored Head & Shoulder (IHS)

Variables: H&S, DBD, Kink, Momentum.



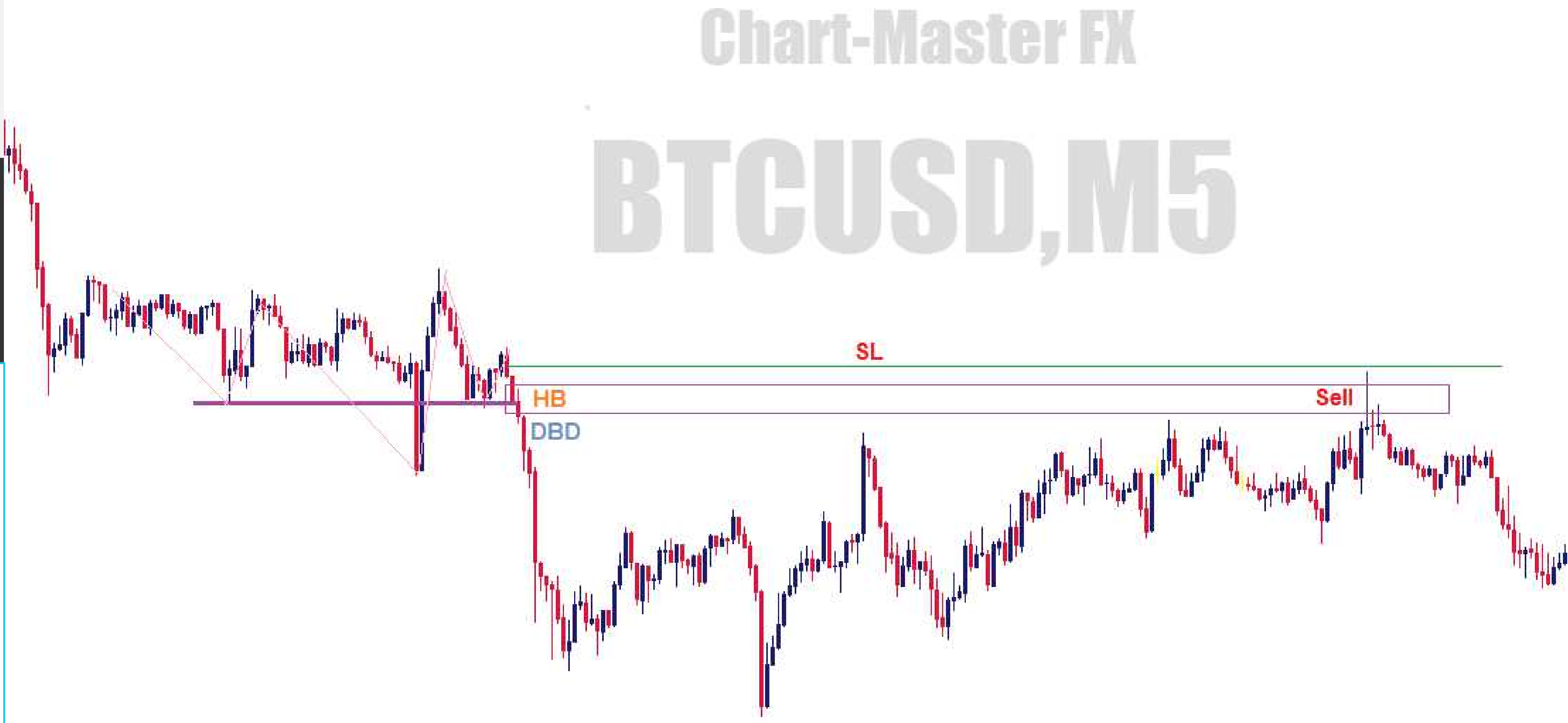
- **H&S:** The left and right support are perfectly aligned.
- **DBD:** The base is perfectly aligned with the magic line.
- **Kink:** The kink is in the form of a bearish engulfing candle.
- **Momentum:** The momentum is very strong to the downside.

- **Trade Classification:** The trade is classified as a low risk trade (Code 1).

- The price made a quick retest to the kink of interest.

Ignored Head & Shoulder (IHS)

Variables: H&S, DBD, Kink, Momentum.



- **H&S:** The left and right support of the H&S are perfectly aligned.
- **DBD:** The base is a reaction of the magic line.
- **Kink:** The kink is a hidden base type.
- **Momentum:** The momentum of price is strong to the downside.

- **Trade Classification:** The trade is classified as a low risk trade (Code 1) since all conditions are satisfied.

- The approach is in the form of compression.

Ignored Head & Shoulder (IHS)

Variables: H&S, DBD, Kink, Momentum.



- **H&S:** The H&S structure is clear in this setup.
- **DBD:** The price made a reaction at the neckline.
- **Kink:** The kink is in the form of bearish engulfing.
- **Momentum:** The momentum of price is strong.

- **Trade Classification:** The trade is categorized as a medium risk trade (Code 2).

- The price approached the zone of interest in the form of compression, which is a good approach.

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